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NEWS SUMMARY

GENERAL

Record heroin haul found

Customs men and drug squad detectives made a number of arrests in London following the discovery of the biggest haul of Chinese heroin ever brought into the UK.

Thirty-two kilos of the drug, worth £6m at street prices and enough to keep Britain's registered addicts supplied for a year, were found in the tyres of two Volkswagen cars imported from *Penang, Malaysia*, to London's Royal Albert Docks.

The haul was found on September 21 but its discovery was kept secret while the men behind the shipment were hunted. Four people were being questioned after yesterday's raids.

BA to seek fares increase

British Airways is expected to ask the UK and U.S. for permission to raise all transatlantic fares by about 5 per cent, starting next April. Existing differentials between first class, economy and Stand-By would be maintained. Back Page

Refinery blaze

At least four people were killed and 11 others injured in a series of explosions at the Continental Oil Company refinery in Denver, Colorado. The fire was reported out of control and damage is estimated at up to $10m (£5.1m).

Khalid operation

King Khalid of Saudi Arabia underwent open-heart surgery in Cleveland, Ohio, his country's Ambassador to the U.S. said. There was no immediate report on the King's condition.

M-way protest

John Tyme, the seasoned motorway protester, was carried by police out of the M25 inquiry at Bookham, Surrey, after leading a chorus of "Why are we Waiting?". Later, women and children stood shouting and clapping at the back of the hall.

Princess cancels

Princess Margaret has cancelled her five-day visit to the Philippines. Doctors have advised her to continue resting at the Sydney home of the governor of New South Wales. She has a respiratory infection.

Charge dropped

Journalist Duncan Campbell, one of three defendants, was acquitted on one of the charges against him when the Old Bailey secrets trial re-started. The charge — under Section One of the Official Secrets Act — concerned information "which might be . . . *useful to an enemy*."

Superthief jailed

Richard Jeakins, described by the judge as "a super shoplifter," was jailed for three years in London and ordered to pay £2,000 in costs after admitting 23 charges which included the theft of a Picasso print worth £7,000, a Blake watercolour (£17,000) and two icons (£9,300).

Jeakins was caught when a woman store detective at Bourne and Hollingsworth, Oxford Street, let down the tyres of his getaway vehicle . . . a bicycle.

Briefly . . .

Elizabethan goblet fetched £75,000 at Christie's, a world record for auctioned glassware. Saleroom, Page 9

Nurses should be allowed to prescribe the contraceptive pill says the Royal College of Nursing.

Astrid Proll, suspected German terrorist, was further remanded at Bow Street, London, to face extradition proceedings.

Reward fund for the missing newspaper delivery girl Genette Tate has been closed at £23,000.

BUSINESS

$ loses ground; Gold hits new high

● DOLLAR lost ground, influenced by predictions from Mr. William Miller, Federal Reserve chairman, that U.S. interest rates would peak before the end of the year. (Page 4). It fell to a record low of DM1.9115 (DM1.9327) and

finished at SwFr. 1.5730 (SwFr 1.5915). Its trade-weighted average depreciation widened to 9.2 (8.9) per cent. STERLING rose 20 points to finish at $1.9735. Its trade-weighted index was 62.5 (62.7). GOLD closed at a record high of $222¼, a rise of $4¼ on the day.

● EQUITIES rallied on the Prime Minister's hint of additional monetary and fiscal measures which could mean higher taxation and tighter monetary controls. The FT 30-share Index closed 6 points up at 505.2.

● GILTS responded likewise, the Government Securities Index closing 0.14 up at 69.85.

● WALL STREET was 2.68 down at 868.68 near the close.

UK reserves rise $106m

● UK's official reserves rose by $106m last month to $16.51bn, reversing the previous month's decline of $330m. Allowing for identified borrowings and loan repayments, the figures show an underlying increase of $63m. Back Page

● U.S. TREASURY bills were: threes 8.161 per cent (8.106); and sixes 8.377 per cent (8.276).

● ICI has decided to press ahead with ambitious plans to sanction capital expenditure projects worth more than £800m this year, *despite repeated warnings* that they could not be justified by current profitability. Back Page. Beecham Group has, however, cancelled its plan to build an £18m pharmaceuticals factory in Ireland. The group will expand production at existing plants instead. Page 6

● NATIONAL Coal Board has awarded a £7m contract to Murphy Brothers to work an opencast coal site in Powys, South Wales. Page 10

● FIREMEN'S leaders met local authority employers in an apparent bid to ward off possible *renewed militancy* by firemen over the 42-hour week at their annual conference next week. Page 11

● TGWU London regional office instructed members to black work connected with Ford, where the national strike by 57,000 manual workers is in its second week. Page 11

COMPANIES

● CHINA PROVIDENT Company, a Hutchinson Whampoa subsidiary, announced net interim profits of HK$50.2m (US$10.61m) against HK$6.5m in the corresponding 1977 *period*. Page 29

● PIONEER CONCRETE Services plans a one-for-eight scrip issue for the second successive year, after a 34 per cent rise in group profits from A$14.6m to a *record* A$19.6m. (US$22.7m). Page 29

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Excheq. 12pc '99-02	£95	+ 1
Beecham	712	+ 7
Brown (J.)	452	+ 12
Currys	197	+ 7
Dowty	274	+ 7
ERF	119	+ 10½
Farnell Elect.	308	+ 13
Footwear Invs.	764	+ 12½
GEC	325	+ 6
Hambro Life	400	+ 10
ICL	460	+ 30
London Brick	69½	+ 3
Marchwiel	142	+ 7
Metal Box	356	+ 6
Pleasurama	76½	+ 5½
Plessey	123	+ 5
Racal Electronics	340	+ 11
Reed Intnl.	160	+ 6
Robinson Foods	162	+ 9
Royal Insurance	355	+ 8
Startrite	137	+ 7
Trust Houses Forte	242	+ 6
Woodhead (J.)	106	+ 9
Afrikander Lease	220	+ 15
Anglo American Crp.	350	+ 14
Anglo Utd. Dev.	224	+ 10
Bishopsgate Plat.	93	+ 5
Doornfontein	207	+ 11
Gold Fields SA	£13½	+ ½
Kloof	573	+ 17
Marievale	84	+ 8½
Northgate Expln.	410	+ 55
RTZ	248	+ 7
Rustenburg	94	+ 6
St. Helena	805	+ 40
St. Piran	66	+ 8
Western Hldgs.	£20¼	+ ½
Westfield Minerals	117	+ 20

Unions see signs of flexibility on pay

BY RICHARD EVANS AND CHRISTIAN TYLER

MAINTENANCE of single-figure inflation will remain the cornerstone of the Government's economic strategy, the Prime Minister told the Labour Party conference in Blackpool yesterday. If the 5 per cent pay guideline was badly breached, other economic measures would have to be introduced, he said.

This was the apparently uncompromising attitude adopted by Mr. Callaghan as he tried to steer the divided Labour movement back towards a unified policy on pay, but trade union leaders and others saw distinct signs of flexibility in his speech.

There will be early talks between Ministers and trade union leaders, probably next week, on the future of pay policy, when Mr. Callaghan will urge tight pay restraint.

But it is accepted privately by some Ministers that the days of the rigid 5 per cent norm are inevitably numbered.

Trade union leaders were sure they had made a breakthrough. They read Mr. Callaghan's speech as a clear invitation to work out a compromise that would take *some of the heat out of shop-floor militancy this winter.*

Left-wingers and Right-wingers agreed that he had risen triumphantly to the occasion, gone a long way to healing the rift so dramatically exposed on Monday, and retrieved Labour's electoral chances, by hinting that the 5 per cent limit, if not the basic counter-inflation strategy, could be relaxed.

Mr. Callaghan's warning of a clamp-down on the money supply and more severe fiscal measures if inflation took off again was seen as something he had to say; a reminder to the country at large that he would not back down completely in the face of trade union pressure.

Most union leaders did not interpret it as the preface to a new austerity régime.

When Ministers and the TUC meet, possibly next week, there will be attempts to turn Mr. Callaghan's hints into a redefinition of the incomes policy, even though the *biggest union*, the transport workers, and others will argue for wage controls to be dropped entirely.

Public-service unions will seek extra concessions for the low-paid, and all will call for repeal of Government sanctions against employers who breach the guide-*lines.*

But for all the mood of reconciliation in Blackpool, the Government—and the unions themselves—still face the prospect of serious industrial unrest this winter, whatever the future of the strike at Ford's.

What the Prime Minister has done is throw down a challenge to the trade union leadership to tell him how they would maintain the level of inflation in single figures, and thus give Labour a chance of retaining power at the next general election.

The question will be how actively trade union leaders and their members pursue the *conference decision to overturn* wage controls, and whether the Government will be politically courageous enough to take compensating action should the inflation rate rise.

According to Mr. Callaghan, in a well-received speech designed to keep the temperature down *after Monday's traumatic conference* defeat for Government pay policy, any increase in earnings above 5 per cent was likely to carry inflation back over 10 per cent, something the Government could not permit.

If the conference decision against wages policy resulted in *a weakening in control of inflation* and a return to double figures, "then the Government will take offsetting action to keep inflation down through monetary and fiscal measures," Mr. Callaghan warned.

"It is our responsibility. It is necessary that the country should know that the Government accepts that responsibility and that we shall not seek to evade it."

Although Mr. Callaghan's declaration was being taken at its face value by some, others believed it inconceivable that the Government would introduce measures, including tighter control of money supply and increased taxation, that would raise the level of unemployment, in the run-up to a general election.

One obvious area to be explored within the terms of the White Paper will be the possible productivity element in a pay settlement. The Prime Minister *stressed the need to keep down* wage costs, not necessarily earnings.

"We are ready to encourage wage settlements that include genuine productivity deals, and that therefore give higher earnings which at the same time reduce rather than increase wage costs," he said.

Mr. Callaghan hinted that the Government would interpret more flexibility than proposed by

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At least 300 die as floods bring chaos to West Bengal

BY K. K. SHARMA CALCUTTA, Oct. 3.

THE DEATH toll in the floods in India's West Bengal state is at least 300 and the final figure undoubtedly will be much higher.

Buses, trams and cars in Calcutta stand in waist-deep water, having been stranded for more than five days. Shops have put up their shutters. The few offices open are thinly-attended because public transport has broken down. In the Writers' Building, seat of the State *Government, the harried Marxist* Chief Minister, Mr. Jyoti Basu, says: "It's a real disaster."

Mr. Basu who has taken personal charge of relief and rescue work, has just returned from persuading bakeries to step up production and pleading with wholesalers not to raise prices.

Despite his unflagging efforts Mr. Basu has still to get the better of the worst floods ever to hit West Bengal.

The rain now in its fifth consecutive day has flattened shanties, brought down houses and silenced jute mills and factories. There is no drinking

water, telephones do not work, trains limp into Howrah station days late, and naked children cry for food as drenched mothers stand helplessly outside collapsed huts pleading for help.

It will be days before Calcutta limps back to anything near normality. It will take weeks before damage from the flooded districts can be estimated, and months to restore the shattered economy of the state, the most heavily industrialised in the country.

Its two steel plants, most of the coal mines and the two ports of Calcutta and Haldia are paralysed. Warehouses with jute manufactures and raw jute are under 10 feet of water, and nearly all jute and paddy fields have been washed away. Many power stations have *ceased generating*, and officials say that few roads will survive.

The floods began with unrelenting and unseasonal rain on September 27. Thirty inches fell in less than 24 hours before settling to a steady downpour that still continues.

Then came reports of equally *heavy rain in the catchment* areas of the Damador and other rivers which caused flash floods that created havoc in West Bengal's 24 districts.

Mr. George Fernandes, Minister of Industry, who flew in from New Delhi, is so shaken by the scenes in Calcutta that he says preliminary reports suggest damage of 20bn rupees (£1.2bn).

Yet the Chief Minister has asked for a relatively modest R3bn aid from the central Government. This is probably intended for coping with immediate relief work, such as preventing the spread of disease. More will be needed, but it will need more of a national effort to put West eBngal back on its feet.

Mr. Fernandes says the growth rate expected for India this year will receive a setback because of the floods here and those in northern India three weeks ago. In the state itself, steel, coal and jute are worst affected.

Continued on Back Page

$ in New York

—	Oct. 2	Previous
Spot	$1.9676-9686	$1.9716-9725
1 month	0.74-0.67 dis	0.62-0.56 dis
3 months	2.02-1.92 dis	1.78-1.72 dis
12 months	6.30-6.10 dis	6.20-5.80 dis

Celanese and Olin merge in $720m deal

BY JOHN WYLES NEW YORK, Oct. 3.

A SIGNIFICANT realignment within the U.S. chemical industry emerged today with the surprise announcement of a $720m (£365.5m) agreement to merge Celanese Corporation and Olin Corporation.

Although based in New York, Celanese has made no secret this year of its aim of expanding into new products through an acquisition. But few on Wall Street had expected a consolidation of this magnitude which ranks as one of the year's five largest prospective mergers.

On last year's total sales, a Celanese-Olin combination would rank sixth in the U.S. chemical industry above such giants as Allied Chemical, PPG and American Cynamid.

Today's brief announcement offered few explanations for the merger beyond the creation of a company "with a broader and more diverse product line."

The agreement in principle will be considered by the boards of the two companies on Thursday. It provides for the payment of $30 a share for up to 30 per cent of Olin's approxi*mately 24m shares outstanding.* The balance will be paid on the basis of ⅞ of a share of Celanese common and ¼ of a new Celanese convertible preferred stock.

The stock analysts' initial reaction was that the offer would prove attractive to Olin shareholders because it would yield a 60 per cent *premium over the* company's closing share price last night of $18.75.

Olin's book value is in the region of $27 a share, and today's announcement brought a swift lean in share values to $25.5.

The reaction of the regulatory authorities will be closely watched for indications of an anti-trust investigation. On the surface, however, there seems to be little overlap since Olin specialises in inorganic commodity chemicals while Celanese is a diversified producer of fibres, petrochemicals, plastics and polymer products.

Olin has developed an increasingly strong custom chemical business over the past few years based on biocides, flame retardants and urethane chemicals. This business coupled with its brass production is seen as the kernel for promising growth in the next five to 10 years.

Olin's other activities include the production of stainless steel strips and coils, paper and cellophane and sporting arms and ammunition.

Celanese returned net earnings of $70m (£35.5m) on sales of $2.32bn (£1.17bn) in 1977 and Olin $78.1m (£39.6m) on sales of $1.472bn (£746m).

But the coal strike, a fire at a sodium chlorate plant and a strike which halted its brass pro*duction are expected to reduce* Olin's earnings this year from $3.24 per share to around $2.50.

No details have yet been disclosed as to how the new company might be organised. Celanese is headed by Mr. John D. Macomber, president and chief executive, who joined the *company five years ago from* McKinsey and Company, the international consultants. Mr. John Henske, president and chief executive of Olin, is a former director of Dow Chemical Company. He was put at the helm of Olin earlier this year.

Sadat sacks two generals

BY ROGER MATTHEWS IN CAIRO AND ANTHONY McDERMOTT IN LONDON

EGYPT'S TWO top generals *were yesterday removed from* their posts by President Anwar Sadat. General Mohammed Abdel Ghani Gamasy, the War Minister, and General Mohammed Ali Fahmi, the Chief of Staff were both reappointed presidential military advisers.

These changes come two days after Mr. Sadat sacked Mr. Mamdouh Salem, his Prime Minister for more than three years, and replaced him with Dr. Mustafa Khalil. They come two and a half months after Mr. Sadat, who has promised a sweeping "administrative revolution," formed the National Democratic Party, a move which has reshaped the political scene.

Above all, these moves must be seen as efforts to strengthen the President's position in the country in the wake of the Camp David summit.

Negotiations on the conclusion of a treaty with Israel are due to start on October 12 in Washington, but observers *have* not ruled out General Gamasy playing an important role there

The changes probably do not reflect discontent within the *armed forces at the terms of* the Camp David accords.

General Ahmed Badawi, a former commander of the Third Army and in charge of army training and organisation since June, has been appointed chief of staff, but no replacement for General *Gamasy has been announced.* He might be replaced by Major-General Hassan Ibrahim, head of the Egyptian General Intelligence Organisation.

The Middle East after Camp David, Page 22

Sime Darby to dismiss auditors

BY JAMES BARTHOLOMEW

A MAJOR row broke out yesterday when Sime Darby Holdings, the plantation company and overseas trader based in Malaysia, announced a proposal to sack its long-serving auditors, Turquand Barton Mayhew and Company.

The auditors intend to fight their dismissal and have described the reasons given by Sime as invalid. "It is up to the board to state its real reasons," Mr. Dennis Garrett, senior partner of Turquand, said yesterday.

Sime Darby's explanation was that the group has grown over the last seven years and its *international interests* are now substantial. The Sime Darby board feels that Price Waterhouse and Co., "as one of the largest international firms of accountants with extensive worldwide representation, will be better placed to meet the demands of the Sime Darby group," the company stated.

However, this reason, which the company declined to expand upon, was received with scepticism by the auditors.

Mr. Garrett said that 80 to 90 per cent of the work on Sime Darby's audit was done in the Far East, where his firm is stronger than any other. Turquand audits 28 out of the top 100 companies quoted on the Kuala Lumpur Exchange, he said.

One-third of the partnership's 3,000 employees are in the Far East.

He conceded that Price Waterhouse was stronger in some parts of the world, particularly the U.S., but could not believe that this was the real reason for his firm's proposed dismissal. Sime would have to invest a great deal of money abroad before the majority of the auditing work ceased to be in the Far East, he said.

Mr. Garrett said that he did not know the real reason why Sime wanted to sack Turquand. He did not believe the cause lay in Turquand's role in the Pinder scandal which hit Sime Darby five years ago.

Mr. Pinder, a previous chairman of the company, was found guilty on several charges including misuse of funds and sentenced to three years' imprisonment. Turquand played a significant part in exposing him. The senior partner involved committed suicide.

Turquand claims it has good reason to believe that Sime has confidence in its competence. *And* although from 1972 to 1974 they disagreed about the accounting treatment of acquisitions, Turquand doubts that this is the fundamental reason for its dismissal.

Turquand understands that the Sime board was not unanimous in its decision to oust its auditors of over 21 years' standing. But Mr. Garrett would not name the directors he believes are on his firm's side.

The auditors will fight their dismissal by sending circulars to shareholders before the annual meeting on November 17. They hope that publicity about *their dismissal will force Sime* to disclose the real reason, enabling them to produce a reply.

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FEATURES

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EUROPEAN NEWS

Turkey may reopen U.S. bases soon

BY METIN MUNIR — ANKARA, Oct. 3.

THE U.S. bases in Turkey, constituting what has been described as the most advanced land-based surveillance network in the world, are to be reopened "within a week or so" after having been shut for over three years, senior Turkish government officials said here today.

The Prime Minister, Mr. Bulent Ecevit, is to make an announcement to this effect after a cabinet meeting expected to take place this week.

Ankara shut down the U.S. bases and put them under Turkish Army command in July 1975, several months after the U.S. Congress imposed an embargo on arms supplies to Turkey. The decision to reopen them, taken by the National Security Council — the country's highest consultative body — yesterday, has come in the wake of the repeal of the embargo at President Carter's request.

While shutting down the bases Ankara had also abrogated the Turkish-American defence agreements. Talks on a new one are to start in Ankara next month, the sources said. It is expected to take a year before it is signed during which the bases will still be allowed to operate.

The key bases which would reopen are Kargaburun, a U.S. Navy communications station, located in European Turkey, and intelligence collection sites at Sinop on the Black Sea, Belbasi in Central Turkey and Diyarbakir in the south east.

When active these bases enabled the U.S. to keep track of Soviet air and naval activities, missile and nuclear weapon tests and general military activity in the area surrounding Turkey, including the Middle East.

Other facilities provided to the Americans include airfields for tactical fighter aircraft, defence communications stations and supply and ammunition depots (including a dozen or so where nuclear warheads are kept).

Moscow rebuff for Oslo

By Fay Gjester — OSLO, Oct. 3.

RUSSIA HAS PUT off at the last minute a goodwill visit to Moscow by Mr. Johan Jørgen Holst, Norway's Deputy Minister of Defence. The visit, which was to have started today, was at the invitation of General I. G. Pavlovsky, Deputy Defence Minister and commander-in-chief of Soviet land forces. It was discussed in April and dates were fixed in July.

On Saturday, Russia's ambassador to Norway told the Foreign Ministry that the visit would have to be postponed because of "circumstances which have arisen." Late yesterday the Norwegian Defence Ministry announced that a new date for the visit would be set after contacts between the governments.

The Russian move is seen in Oslo as an indication of Soviet displeasure with Norway's military authorities after an incident involving a Russian military aircraft. The aircraft crashed on the Norwegian Arctic island of Hopen in August, and the Norwegians refused to hand over the flight recorder. The instrument is now being held by the commission investigating the accident. The Russians have not yet accepted Norway's offer to let a Soviet expert be present when the recorder is opened and interpreted.

A recent visit to Russia by the Norwegian Environment Minister went ahead as planned in a cordial atmosphere, despite the incident, suggesting that Soviet irritation is directed mainly at Norway's military establishment.

Some experts suggest that the flight recorder may become useless if there is much further delay in opening it. The container was damaged in the crash and it could rust inside if too much timet is allowed to elapse, the experts say.

Denmark aims at deficit reduction

BY HILARY BARNES — COPENHAGEN, Oct 3.

PRIME MINISTER Anker Joergensen promised a reduction in Denmark's current balance of payments deficit by about Kr 1bn (£95m) to Kr 6.5bn next year and further reductions in future when he addressed the Folketing today, at the opening of the new Parliamentary year.

The coalition government of Social Democrats and Liberals, formed at the end of August, is expected to face a stormy session this autumn as it attempts to carry through a tightening-up of fiscal policy, combined with measures of support for employment and business. This will be followed up by incomes policy measures in the spring, in connection with the renewal of the two-year collective wage contracts.

The Government's first major problem may arise next week when a Bill to change the indexation base for income-tax from the hourly wage index to the consumer price index is considered. The measure will increase Government revenue next year by about Kr 1.3bn.

AP adds: Thousands of Danish workers downed tools and joined protest demonstrations today to protest at Prime Minister Joergensen's statement. More than 10,000 workers gathered at the Folketing square in a demonstration denouncing the alliance of the Social-Democratic Labor Party with the Liberals. The strikes halted virtually all ferry traffic and upset mail distribution in Copenhagen.

Falldin ducks the nuclear issue

BY JOHN WALKER — STOCKHOLM, Oct. 3.

THE SWEDISH Government skirted round the country's nuclear energy crisis at the opening of the autumn session of the Riksdag (Parliament) today. Mr. Thorbjorn Falldin, the Prime Minister, concentrated instead on the economic situation, suggesting that the three parties in the coalition Government have failed to sink their differences.

Mr. Falldin adopted a strong anti-nuclear stance when he came to power two years ago, a position not shared by his partners. Six reactors are currently on stream, but Mr. Falldin has held up the commissioning of two others by insisting that the companies concerned have not met the legal requirements for the disposal of nuclear waste.

Last week the leaders of the three coalition parties agreed to postpone the date for fuelling the two new plants until agreement is reached on disposal measures. The future of the plants is likely to be a key topic at Thursday's Cabinet meeting.

On the economy, Mr. Falldin said that the middle of this year would be a turning point, and that although industrial production had started to rise after a three-year decline it was not running anywhere near capacity. He emphasised that wages and prices had to be kept in check.

The Premier outlined measures for reducing unemployment and promised that legislation would be presented later this year spelling out the reorganisation of the textile, forestry and shipbuilding industries.

Brzezinski in Bonn talks on security

BY JONATHAN CARR — BONN, Oct. 3.

THE SECURITY problems for Western Europe posed by Soviet medium range rocketry—the so-called "grey zone" weapons—are believed to have been a key topic in talks here today between President Jimmy Carter's National Security Affairs Adviser, Mr. Zbigniew Brzezinski, and West German leaders.

Mr. Brzezinski was informing Chancellor Helmut Schmidt and the Defence Minister, Herr Hans Apel, of the latest position in the second round of the Strategic Arms Limitation Talks (SALT 2), which are now thought to be nearing success.

Bonn is deeply concerned to ensure that the U.S. and the Soviet Union do not reach a new SALT accord involving inter-continental strategic weaponry which leaves the medium range rockets untouched.

The Soviet Union—with its SS-20 rocket and Backfire bomber—has a superiority in medium range weaponry which the Germans feel must be limited at or through the SALT discussion.

● West Germany today granted Sudan DM80m ($40m) in financial aid this year under an agreement signed in Bonn. Foreign Minister Hans-Dietrich Genscher and his Sudanese counterpart, El-Rasheed el-Takir Bakr, who is accompanying President Jaffar Nimeiri on his state visit to West Germany signed the agreement.

Doubts on Belgian growth forecast

By Giles Merritt — BRUSSELS, Oct. 3.

SERIOUS doubts about Belgium's ability to meet current OECD economic growth forecasts are now being expressed inside the Government here. According to reports in Brussels, the Belgian Central Economic Council is concerned that the 2.75 per cent increase in gross national product for 1978 outlined at the end of August by the Paris-based Organisation for Economic Co-operation and Development may not now be met.

The Belgian economic planning body is understood to have just completed a cautious assessment of the country's economic indicators and to have concluded that the OECD's report's assumption of a 2.5 per cent growth in real disposable household income and a 3.5 per cent rise in exports are open to doubt.

The council has pointed out that during the first half of this year consumer sales rose by only 2 per cent over the same period of 1977. The first six months of this year also saw Belgian export earnings increase by a mere 1 percentage point compared with the equivalent 1977 half, even though a flurry of demand in July pushed the 1978 seven-month rate 2.1 per cent higher than for January-July, 1977.

Credit squeeze in Ireland

By Stewart Dalby — DUBLIN, Oct. 3.

AT THE prompting of the Government, Ireland's central bank has introduced a squeeze on consumer spending. It has instructed the country's licensed banks, including organisations other than joint stock banks, to limit private sector credit including some mortgages and property, it has said, should be no more than 10 per cent over the next six months. Personal loans for items other than property, it hs said, should be restricted to a rise of 5 per cent.

The move has been taken because the 20 per cent guideline for an increase of private sector credit laid down at the beginning of the year has been vastly exceeded.

One leading economist estimated this evening that loans for consumer items other than mortgages and property have been rising since early this year by nearly 50 per cent on an annual basis. Since many of the purchases include such items as foreign cars, the easy credit has had the effect of boosting imports and stoking inflation—currently running at 8 per cent on an annual basis.

From February to August this year, loans for items other than mortgages and property are estimated to have risen by some £7.5m a month.

$100m U.S. aid to ease Portugal payments deficit

BY JIMMY BURNS

THE U.S. has released a further $100m of its share of a $150m western aid package arranged in Paris last year to help finance Portugal's balance of payments deficit.

The U.S. originally pledged $300m, the largest contribution from a group of OECD member states. It was clearly the credit line with the greatest psychological weight in terms of its ability to affect future business confidence in Portugal. $200m of this was made conditional on Portugal showing evidence of "satisfactory progress" in its neogtiations with the International Monetary Fund. The first part of the loan was released in May following the signing of a draft letter of intent by the Portuguese Government pledging to reduce its balance of payments deficit from $1.475bn to $800m between March 1978 and March 1979.

In the original loan agreement, the U.S. agreed to make available the second part of its contribution within 120 days of formal acceptance of the letter of intent by the IMF. The delay in unblocking the loan appears to have been favoured by both sides, but for different reasons.

In the summer months, Portugal recorded a foreign exchange balance surplus. The variation of reserves in the Central Bank (excluding loans) was positive for the first time since before the April revolution in 194—$63m in July and $67m in August. Bank of Portugal officials said today that they expected to make better use of the U.S. loan in the remaining months of this year.

U.S. officials, for their part, have indicated that the four month delay in unblocking the loan gave the U.S. Administration some breathing space in which to observe Portugal's economic performance, particularly in its ability to meet the targets set by the IMF.

The Bank said that bearing in mind the main object of the IMF agreement was a reduction in the balance of payments deficit, the figure was compatible with a current account deficit of $1bn and a trade deficit of $2.3bn.

Spanish shipyard dispute ends

BY ROBERT GRAHAM — MADRID, Oct. 3.

THE LONGEST and most bitter labour conflict since the legalisation of trade unions 18 months ago has ended. The dispute at the shipyards, Astilleros Y Construcciones (Ascon), in the north-western port of Vigo, stemmed from management efforts to rationalise the labour force that resulted in a seven month lock-out.

The most noticeable feature of the conflict has been the deep divisions between the strike committee, strongly supported by the local population, and the two main national trade union organisations — the Communist-controlled Confederation of Workers Commissions (CCOO) and the Socialist-Oriented General Workers Union (UGT).

Ascon builds and repairs mainly fishing vessels and though capacity at its two yards is well below that of the country's leading shipbuilders, it ranks fifth in terms of turnover. In March, 1977 the company changed hands from its Vigo-based family ownership to the Perez group in Santander. A combination of this change of ownership and the general worldwide decline in demand for new shipping tonnage led to moves to restructure Ascon's labour force.

By early January the 1,850-strong workforce suspected that the management was planning a major reduction in employment. Because of the dependence of the region on the shipyards and the suspicions over the new management, some workers sought to promote a strike. As a result, 46 workers were sacked. But immediately the sacking was announced the rest of the workforce came out in sympathy, which led the management to close down the two yards on February 22.

Initially the strike committee formed by the workforce had the support of the CCOO and UGT, although they were not the majority. Whenever the main trade unions sought to promote a dialogue and obtain a reopening of the yards, the strike committee opposed it.

Dutch growth fund delayed

BY CHARLES BATCHELOR — AMSTERDAM, Oct. 3.

HOLLAND'S LONG-AWAITED plans for capital growth-sharing may be delayed for another year and Government funds may be used to start the capital growth fund off. Unless the Bill covering the collective part of the scheme is passed by Parliament before next spring, the scheme will be retrospective to January, 1979, instead of January, 1978, as originally planned Prime Minister Dries van Agt said after a cabinet meeting.

The Dutch plans for capital growth-sharing will require companies making profits of at least Fl 100,000 ($48,000) a year to pay a percentage of profits into a central fund. Part of the excess profits thus creamed off will go to the workforce of the individual company while the rest will go into a collective fund. This fund will be largely under trade union supervision and it will be used to improve pension schemes.

The individual and the collective parts of the growth fund, or VAD, will be levied at a rate of 12 per cent each on profits after companies are allowed a return on capital employed. The individual part will take effect from January, 1977, and companies are expected to have made provisions to cover this. The collective part counts as tax legislation and cannot be backdated in the same way.

To compensate employees and the trade unions for this further delay in implementing VAD proposals (it was originally promised for 1975) the Government is expected to pay Fl 150-Fl 200m ($71-95m) into the fund, the Social Affairs Ministry said.

In a separate development, a consumer report has revealed that increased leisure will lead to a radical change in spending patterns in Holland by the year 1990. The do-it-yourself sector will grow rapidly, leading to a decline in demand for the services of the professional painter and carpenter while increased travel will mean a further rise in the number of cars on the country's already crowded roads.

An ageing population means there will be an increased call for medical services aimed at the elderly while the demand for child care and day nurseries will decline.

These developments require a change in government spending priorities over the next decade, the Commission for Consumer Affairs (CCA) said in a report. The CCA groups employers, unions and consumer organisations and is part of the Social Economic Council, the senior Government advisory board.

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EUROPEAN NEWS

LORRAINE

Shadows deepen in the steel valleys

BY DAVID WHITE, RECENTLY IN NEUVES-MAISONS

FROM THE Steelworks Cafe at Neuves-Maisons, in the wooded hills near Nancy, you can see through the drizzle the new structure of heavy girders, rising against the sky, grey on grey. A furnace next to it coughs out flames and billows ochre smoke. In the middle of the old steelworks, already part-condemned because of its pollution, it stands out like the frame of a great railway station or the nave of a modern cathedral.

It might as well be a station or a cathedral rather than the oxygen steel plant it was designed to be for there is nobody working on the site. Planned as one of the most advanced facilities of its kind, its fate—closure before completion—is unlikely to change under the new Government "rescue plan" for the French steel industry.

Adding up what has been invested at Neuves-Maisons in recent years, the work on making the Moselle navigable to the site and the cost of the plant itself, abandonment means writing off the small sum of FFr 1.7bn (£200m).

The axe has been hovering over the project since July, when Chiers-Chatillon, the owners made a co-operation pact with Usinor the biggest French steel producer, which has a rival project on the drawing-board. Since both companies, as well as the biggest Lorraine group Sacilor-Sollac, will now have common bosses in the state and the state-owned banks, there seems to be no question of going ahead with both plants.

For Neuves-Maisons and its 7,000 people it is like waiting for a death sentence. The walls of the works and the town are plastered with defiant posters: "Neuves-Maisons will live!"

The same theme is echoed 50 miles away, on the Moselle north of Metz and in the neighbouring valleys of the Fensch and the Orne, where Lorraine's steel industry is most concentrated — a string of desolate company hamlets, blast furnaces and rolling-mills, where the only colours are grey and brown and where even the place-names sound like a nasal funeral dirge: Uckange, Florange, Ebange, Knutange, Hayange, Hagondange, Gandrange.

Union leaders reckon that the Government's steel plan will mean cutting 15,000 or even 20,000 more jobs in plants throughout the country. The brunt will be felt in Lorraine, where three-quarters of the current 16,200 job reduction programme is already being carried out—a two-year scheme agreed in mid-1977 between employers and the middle-of-the-road union, Force Ouvriere.

Lorraine remains the country's biggest steel centre, but its share of output has dropped from more than half in 1974 to about 42 per cent today. A lot of equipment is old, but by no means all.

The Sacilor-Sollac group, empire of the de Wendel family, which employs half of Lorraine's 69,000 steelworkers, has a fine modern complex at Gandrange. Usinor, when it decided last year to run down its Thionville operation and build its FFr 400m oxygen plant at Longwy instead, was closing equipment only three years old. Of the 4,000 who used to work there, only 1,000 have been kept on. The windows on the frontage are broken.

Usinor management refuses to discuss future plans in the region. Like Usinor, Sacilor-Sollac has agreed to co-operate with another group, from Normandy, and its big old complex at Joeuf-Homécourt is probably due for the chop. The 3,000 workers at Hagondange on the Moselle (which, up to 1914, when this was German territory, was the fief of August Thyssen) also expect to be redundant by 1981.

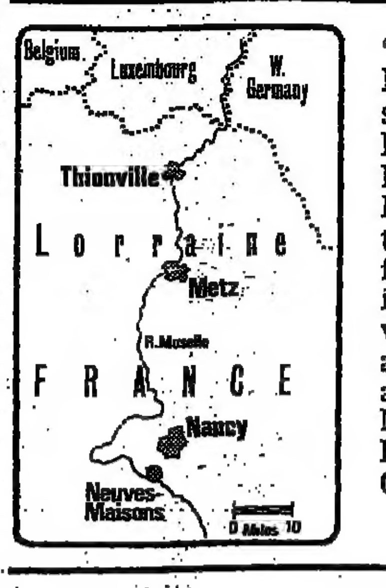
The companies say that the French steel industry has been slower in trimming its workforce than the Belgian, Luxembourg and West German competition, and that it now has to catch up with the rest of the EEC. The impact is all the worse since the Lorraine steelmakers put off outright redundancies until last year. The number of jobs suppressed in 1976 was 1,500, in 1977 it was 7,500 and in the first half of this year another 4,000. The region's share of the 1977-79 redundancy plan is already close to being reached and is bound to be exceeded next summer.

The decline of steel follows that of the coal and iron ore industries on which the steel industry was first based. In 1959, there were 60 ore pits being worked. There are now 23, and even those thanks partly to union obstinacy; three more are due to close in the next few months. In less than 20 years the workforce of 26,000 has been reduced by 80 per cent.

The labour reaction is a mixture of resignation and revolt. There is on the one hand a strong streak of union militancy. Except in the recently-built Sollac rolling-mills, the Communist-inspired CGT dominates. Italian names are common among its organisers, Italians being the biggest immigrant community.

Recently, unions called a one-day protest strike against the plan in the region's main steelworks. Demonstrators blocked the Metz-Thionville motorway and the protest was judged a success. But according to the companies, the strike had less than 50 per cent support. Union membership is low, the unions' propaganda machine is weak, the Press a conservative monopoly. Some unionists talk in terms of a long strike, but others are wary, afraid that it would peter out after a day or two.

The mood, now at least, does not seem to be in favour of digging in for a Verdun defence. What apears more probable is that people will gradually leave (headed by the immigrant Italians and Algerians) to places where the job market is less grim. The shades of grey and brown in the steel valleys will probably grow murkier still.



"THE reconversion of Lorraine has been a success . . ." M. Pierre Messmer, French Prime Minister, in Metz, 1972. "Everything being planned for Lorraine gives the impression today of a work-site hardly begun and already two-thirds abandoned," M. Pierre Messmer, chairman of Lorraine Regional Council, in Metz, last week.

Gaullists urge changes to economic policy

BY ROBERT MAUTHNER

PARIS, Oct. 3.

THE GAULLIST Party, the biggest member of the ruling coalition intends to tell the Government that it must modify its economic policy and take more notice of the Gaullists' views if it wants to retain their support.

After a meeting of the party's political council, it was announced that the Gaullists would send a high-level delegation to explain its position to M. Raymond Barre, the Prime Minister. M. Yves Guena, one of the Gaullist Party leader Jacques Chirac's closest aides, said that very strong criticism was expressed at the council's meeting of the policies pursued by the Government.

M. Chirac, who has repeatedly called upon the Government to take more effective steps to combat rising unemployment, told members of the council that the series of recent by-election setbacks suffered by the coalition parties was the direct result of public dissatisfaction with the Government's economic policies.

The Government had made a number of fundamental errors of appreciation since its general election victory in March and had restored the credibility of the left-wing opposition.

The Gaullists' warning followed a much-publicised speech over the week-end by M. Michel Debre, a former Prime Minister, who said that the party should give serious consideration to withdrawing from the coalition, failing a modification of M. Barre's austerity policies.

In spite of their criticism of the Government, however, M. Guena confirmed today that the Gaullists would not support the Socialists' censure motion which was tabled in the National Assembly yesterday.

Europe's smallest army goes for growth

HERRENBERG, Oct. 3.

THE LUXEMBOURG army is the smallest fighting force in Europe—with 630 men. But it is taken very seriously in this independent nation of 365,000 people.

"Our country is small, but we don't think liberty should be handed to us on a golden plate by the bigger countries," says Lt. Col. Marcel Goedert, executive officer of Luxembourg's one military base at Herrenberg 35 kms (21 miles) north of the national capital.

At present, the heaviest weapon in the army's possession is an immobilised World War Two American tank. This smallest of NATO forces has no aircraft, no armoured vehicles and has to practice infantry tactics in neighbouring West Germany because there is no room for large-scale manoeuvres in Luxembourg itself.

On September 1, the army was increased from two infantry companies to three, with a 13 per cent increase in manpower. Officers admit, however, that part of the goal was to absorb some of Luxembourg's 1,165 unemployed people.

The Luxembourg defence budget this year is $31m, compared to $17bn for neighbouring France. But officials say confidently that Luxembourg will boost defence spending by 3 per cent per year for the next five years—a NATO goal that several other alliance members have been unable to meet.

In addition, the country may soon form its first standing reserves since the 1960s. There used to be a reserve of about 5,000 men and an army of 1,500 until 1967, when compulsory military service was ended. Nowadays a main attraction in joining the army is a guaranteed job upon discharge in the national police, prison service, post office, customs or forest service.

The Luxembourg army always keeps on call at least 60 per cent of its men assigned to the mobile force. The others can be contacted within one hour. The only NATO territory where the Luxemburgers seem unprepared to fight is in the cold climate of Northern Norway. Its army has never shown enthusiasm for acquiring the arctic uniforms and training needed.

Luxembourg has also refrained from appointing any Generals in its armed forces. The top military man is a Colonel.

AP.

OVERSEAS NEWS

THE GUINEA-BISSAU ECONOMY

Post-war grain of hope

BY TONY HODGES, RECENTLY IN BISSAU

AT THE Domingos Ramos Agricultural Co-operative, a farm community named after a guerrilla commander who died fighting the Portuguese in 1966, fields of rice and sugar-cane are flourishing after this year's generous rains. Farmers expect a bumper crop when the harvest starts in November.

For the first time since independence in 1974, Guinea-Bissau may become self-sufficient in rice, its basic food. For the past four years, the ruling African Party for the Independence of Guinea and Cape Verde (PAIGC) has been battling to resurrect its agricultural-based economy which was decimated by the 11-year conflict and the displacement of a sixth of the population across the country's borders as refugees.

Portuguese statistics show that the total land area under cultivation here fell from 410,000 hectares in 1953 to only 125,000 hectares in 1972. In the same period, rice output plummeted from over 100,000 tons to less than 30,000 tons and production of groundnuts, the country's main export from nearly 64,000 tons to 28,000 tons. Once a net exporter of rice, Guinea-Bissau had to start importing it in 1968 and, by 1974, the year of independence, 30,000 tons were being imported annually.

With no mining industry and practically no manufacturing sector (manufacturing last year employed a grand total of 1,833), the disruption of agriculture landed Guinea-Bissau with a colossal trade deficit.

The deficit reached a record 1bn pesos in 1974, when exports covered barely 8 per cent of the import bill. Since then, the PAIGC has been trying to recover.

And until last year, when the Sahelian drought swept southwards into Guinea-Bissau for the first time, wiping out more than half the rice crop, it had registered some impressive progress.

Rice imports had been reduced to less than 11,000 tons a year by 1976 and exports of groundnuts doubled between 1975 and 1977, rising from 8,000 to 16,000 tons.

All-told, exports quintupled from a mere 88.4m pesos in 1974 to 427.6m pesos last year, while strict import controls and the rise in domestic rice production meant that imports rose only marginally. The rate of cover of imports by exports improved to 35 per cent last year.

Then the drought struck. Fifty per cent of the rice crop was lost in the key rice-growing region of Tombali, which normally accounts for 70 per cent of the country's total rice production. Across the country as a whole, says Sr Avito Jose da Silva, the secretary-general at the State Commission of Agriculture, rice production fell from 80,000 tons in 1976 to only 30,000 tons last year.

He said that production of groundnuts fell, too, from 45,000 tons to 27,000.

Inevitably the trade deficit has dramatically widened again. Sr. Armando Ramos da Silva, the State Commissioner of Trade, says that Guinea-Bissau is having to import over 32,000 tons of rice this year, worth 337m pesos—three times as much as last year.

In the first quarter of this year, exports were once again a mere 10 per cent of imports. The trade deficit, at 370.4m pesos, was twice as large as in the equivalent quarter of 1977.

But now farmers are optimistic that the post-war agricultural recovery can resume. It has been pouring with rain since the rainy season started in May, the Bissau meteorological station recording a fall of 1,368 mm by the end of August, compared with less than 990 mm in the whole of last year.

Sr. Armando da Silva says he expects Guinea-Bissau to be self-sufficient in rice when the coming harvest is in. But he will go on ordering some rice from abroad next year to build up stocks.

The PAIGC is trying, meanwhile, to diversify its economy. Last year, groundnuts and palm kernels together accounted for over 72 per cent of total exports.

The greatest success has been in fishing. Before 1976, Guinea-Bissau did not export any fish at all. Last year fish and shellfish made up 19 per cent of total exports.

This progress has been almost entirely due to the Soviet-Guinean fishing company Estrela do Mar.

The Russians have also negotiated rights for their own trawlers to fish inside Guinea-Bissau's 150-mile fishing limit. Sr. Joseph Turpin, the Secretary of State for Fisheries, says that 20 Soviet trawlers are licensed to fish there, with Guinea-Bissau receiving the proceeds from 15 per cent of their catch. The total value of the Soviet catch apears to be around £15m a year, about five times more than Guinea-Bissau's own fish exports.

Mineral prospecting has also begun. According to Sr. Pio Correia, the Director-General of the state mineral company Petrominas, Hungarian prospectors have estimated the country's bauxite deposits in Boe, at 250m tonnes. A more detailed study, he said, is now being made by a Russian team while the French Bureau de Recherches Geologiques et Minieres is prospecting for Phosphates in Cacheu and Oio.

World market conditions, however, may not favour exploitation of the bauxite deposits, and considerable investment would be required.

Sr. Correia says that Seagap, a consortium led by Agip, has applied for a licence to search for offshore oil, slightly to the south of where Esso found oil in 1958.

But he is unhappy with some of the terms proposed by Seagap and no agreement has yet been reached.

Meanwhile, as it battles with a legacy of colonial misrule, wartime disruption and drought, the PAIGC is adopting the policy of strict non-alignment to attract aid from both West and East, and Arab states too.

So far, except in the fishing industry and bauxite prospecting, practically all the aid has come from the West. All this year's unprecedented rice imports, says Sr. Armando da Silva, are being paid for by aid donors, almost all of them Western governments. The main rice-aid supplier is the United States, he said, followed by Sweden, Denmark, West Germany and Holland.

Last year aid-in-kind totalled 424.5m pesos, 35 per cent of total imports. And monetary transfers and capital inflows, again overwhelmingly from the West, have assured overall balance of payments equilibrium.

External debt is mounting, however, and the debt service ratio is already 15 per cent, according to officials at the State Commission of Finance.

Conservative Arab states have been wooed: Saudi Arabia is investing $4.5m in a groundnut-oil plant and Kuwait is loaning $7m to rebuild the airport here.

OVERSEAS NEWS

Dr. Mustafa Khalil

Business approves Khalil

By Roger Matthews

CAIRO, Oct. 3.

THE APPOINTMENT of Dr. Mustafa Khalil, aged 58, as Prime Minister of Egypt has been received with favour by Cairo's business community and by a wide range of the political spectrum. The new Prime Minister was engaged today in consultations with present and prospective Ministers, which, according to the semi-official newspaper Al Ahram, could result in the formation of a new Cabinet within 48 hours.

Dr. Khalil, who played a major role in the drive for the industrialisation of Egypt during the late 1950s and early 1960s, is now expected to throw the Government's full weight behind efforts to achieve a breakthrough for the country's open-door economic policy.

As a firm believer in the value of detailed planning, Dr. Khalil will be attempting the task which effectively defeated his predecessors — that of imposing consistency, co-ordination, and speedy efficiency on a slow, bureaucratic and poorly-lead Government machine.

The prospect of peace with Israel offers Egypt renewed opportunities for attracting longer-term foreign industrial investment, and it is vital that this should be matched by the administrative reform promised by President Sadat in his speech to the nation yesterday.

Dr. Khalil, who is expected to keep the present economic team, is sure to keep a closer eye on the day-to-day performance of the economy than his predecessor, Mr. Mamdouh Salem.

Surprisingly, for a man who has been actively engaged in Egyptian politics for 20 years, Dr. Khalil appears to have maintained good relations with all the main currents and is respected by much of the Left. He is also an expert on oil and was sent by the President to Saudi Arabia after the 1973 war to work out the details of the Arab oil boycott.

Dr. Khalil's long administrative experience includes a period as Minister in charge of Industry, Oil and Mining.

His selection as Prime Minister suggests that Mr. Sadat may wish to emphasise the distinction between an essentially technocratic government and the central committee of his National Democratic Party, which will provide the political drive.

Transkei camp row threatens

By Quentin Peel

JOHANNESBURG, Oct. 3.

SOUTH AFRICA is reported to be building a resettlement camp to house thousands of squatters from Cape Town on the borders of the Transkei. The plan threatens to revive the simmering dispute between the South African Government and its first independent homeland.

The land chosen for the resettlement scheme is part of an area scheduled for consolidation into the Transkei near Queenstown in the eastern Cape Province. According to Press reports here, preparations for the new township have been going ahead in conditions of strict secrecy.

Some 20,000 black squatters living in a well-established camp at Crossroads, outside Cape Town, have been told they face compulsory eviction before the end of the year. Although many of the men in the camp are legally entitled to work in the area, their families are living there illegally.

Chief Kaiser Matanzima, the Transkei Prime Minister, has refused to accept squatters evicted from their homes outside Cape Town, because he argues that they are a South African problem—although a large majority originally came from the Transkei.

However, the latest reported South African plan would neatly avoid the problem, by resettling the squatters on land which is still part of South Africa, but will eventually become Transkei. Ironically, both Chief Kaiser Matanzima and his brother Chief George own farms in the area.

The South African Government's attempts to evict squatters from the Cape, and its attempt to demolish Crossroads itself before Christmas, has aroused a storm of protest in liberal and Christian circles here. Opponents argue that the squatters are only living in the camps because of the Government's refusal to build alternative accommodation, and to allow workers' families to live with them.

In a statement issued last night, Chief Matanzima said the South African Government was trying to create a slum in Transkei territory.

Two major Iranian strikes end but unrest continues

BY ANDREW WHITLEY

TEHRAN, Oct. 3.

TWO MAJOR STRIKES which threatened the Iranian economy ended today after the managements involved gave way to the workers' demands. But the wave of industrial unrest, which began in earnest some 10 days ago, has spread to other public sector bodies.

Several thousand employees of Bank Melli, the state-owned banking giant which handles all official receipts and payments, returned to work today after a damaging two-day stoppage. All their demands were met.

A nine-day stoppage in the oilfields by daily-paid employees of the BP-led Western oil consortium also seems to be over. The National Iranian Oil Company said today that everything was now back to normal. Some demands, including higher housing allowances, had been met, and other demands were said to be under favourable consideration.

After many years in which strikes were virtually unheard of in Iran, many workers are taking advantage of political uncertainty to press their case.

The lower paid public sector has been particularly affected. In line with the Government's political strategy of appeasement, management attitudes have been conciliatory.

According to the Government news agency, Pars, workers at the state insurance company, Bimeh Iran, today began a strike. Industrial action by telecommunications workers, now in its fourth day, has already had a serious effect on long distance and international telephone and telex links.

Mr. Shamsuddin Malekabhari, managing director of the Telecommunications Company of Iran, today promised the strikers higher wages and measures of what he called social justice to reduce the gap between highest and lowest paid employees.

Elsewhere, some employees of the state power generation concern, Tavanir, are understood to have started a strike, affecting electricity supplies. Disgruntled workers range from those in the telephone directory inquiries department to the staff of a Tehran hospital for drug addicts.

Iraqi talks with Saudis

BY OUR FOREIGN STAFF

MR. SADDAM HUSSAIN, the Iraqi Vice-President, left Jeddah yesterday after talks with Crown Prince Fahd of Saudi Arabia on Iraqi proposals to win Egypt away from the Camp David agreements. The Iraqis have denounced the Egyptian-Israeli proposals but refused to take part in the meeting of five rejectionist states in Damascus last month.

Iraq has suggested a $9bn fund to be contributed by major Arab oil producers to combat the Camp David agreements. It has also suggested a summit of all Arab countries to discuss recent developments and the dispatch of Iraqi military units to Syria's border with Israel. Syria has so far not responded to the offer of Iraqi military assistance.

The call for a summit has so far been supported by Kuwait, Bahrain and Qatar. But according to reports from Bahrain the invitations for such a meeting will come from Saudi Arabia or Bahrain. The Iraqi visit to Saudi Arabia was immediately followed by an unexpected visit by King Hussain of Jordan for talks with Crown Prince Fahd.

In proposing a $9bn fund Iraq officially revealed its oil production and revenue figures for the first time, saying that these amounted to 115m tons and $9.6bn last year.

This implies that oil revenues increased 5.5 per cent last year from $9.1bn in 1976. The Government plans to raise oil production to 3.5m barrels a day by 1980.

● Reuter reports from Beirut: Heavy explosions rocked Beirut today, and Christian militia forces said Syrian tanks were attacking a strategic bridge in the shell-torn east side of the city.

Palls of dense smoke indicated the gunners' targets as the crackle of heavy machine-gun fire echoed in the area. A militia spokesman said fierce ground fighting was taking place at the Karantina Bridge, which was under fire from about 30 Syrian tanks stationed in a neighbouring district.

He said the militias had decided to seize control of the bridge, which carries the main traffic north from the city.

Hassan blames Algerians

BY OUR OWN CORRESPONDENT

RABAT, Oct. 3.

IN AN ENERGETIC protest to President Houari Boumedienne of Algeria King Hassan II of Morocco has accused the Algerian armed forces of violating their frontier to attack a Moroccan army supply column twice last weekend.

The incident, in which an unspecified number of troops were killed or wounded on both sides, coincides with attempts by Algeria to get the Western Sahara conflict debated at the current UN General Assembly.

It also coincides with peace overtures being made by Mauritania and Morocco, who shared out the Western Sahara between them when it was evacuated by Spain in 1976. These are designed to persuade the Algerian-based Polisario guerrilla movement to stop the war and for its personnel to be reintegrated into the two countries.

Observers here believe that the attacks were an attempt to split the Moroccan-Mauritanian alliance by causing trouble to Morocco while accepting overtures from Mauritania. Polisario has declared a ceasefire with Mauritania since July when a bloodless coup d'etat took place. The new Mauritanian government is anxious to halt the conflict because of the damage being done to the economy.

Moroccan officials say Algerian troops crossed the border twice to attack Hassi Tilemsi which is ten miles inside Morocco in an area where the frontier is undisputed. Officials here say in the second attack the Algerians returned with heavy reinforcements including tanks and armoured vehicles.

Mr. Boumedienne is expected to claim that it was the Polisario's guerrillas and not the Algerian army that was involved. The Moroccan answer to this is that the Polisario is virtually an Algerian subversive army and in any case it could not act on such a scale without official Algerian consent.

Botha Namibia statement

BY QUENTIN PEEL

JOHANNESBURG, Oct. 3.

THE SOUTH AFRICAN response to the UN Security Council approval for a UN role in supervising a ceasefire and free elections in Namibia (South West Africa) will be given to the western members of the Security Council as soon as possible.

In a statement issued after today's meeting of the South African Cabinet under the chairmanship of Mr. P. W. Botha, the new Prime Minister, there was, however, tacit confirmation that the Pretoria Government plans to go ahead with its unilateral elections in the territory.

In his statement, Mr. Botha said the latest developments concerning Namibia, including representations received from the western states, had "received intensive attention" from the Government. There would be further consultations with Judge M. T. Steyn, the South African Administrator General in Windhoek, before a reply was given to the five powers "as soon as possible."

Although the western powers have insisted that elections without UN supervision would not be internationally acceptable, Mr. Botha said that the door for the implementation of the UN plan was "not being closed by an election of representatives of the people of South West Africa in December."

The statement is seen here as a re-affirmation of the South African position that whoever is elected in the planned poll is free to go back to the UN plan.

Vietnam-Laos plea for aid

BY OUR FOREIGN STAFF

VIETNAM AND LAOS have appealed for international aid after heavy flooding that has devastated crops and homes.

An official in Hanoi is quoted by Reuter as saying that 4m people have been affected by floods that have washed away 550,000 houses and destroyed 2.6m tonnes of rice.

The flooding has come just before the summer/autumn rice crop was due to be harvested and has struck most severely at six provinces in the Mekong Delta. But areas north of Ho Chi Minh City and provinces in what was North Vietnam have also been affected.

The Government says the immediate needs are for food, clothing, roofing material, diesel oil, seeds, fertiliser and insecticides.

In Laos, the Government has said that 120,000 tonnes of rice have been lost and 500,000 people are threatened with famine. According to preliminary reports 22,000 families are without shelter.

Thailand too has been affected. At least 34 people are reported to have been killed and 11 central and northern provinces were cut off for two days. Hundreds of houses collapsed.

In Bangkok, people waded knee-deep to reach their work as the Chao Phya River overflowed its banks.

The disaster follows two years of bad harvests because of drought.

AMERICAN NEWS

European steel exports upset U.S.

By Roy Hodson

COLORADO SPRINGS, Oct. 3.

A WIDE measure of disagreement still exists between the European and U.S. steel industries over trading practices.

Informal meetings have taken place here in the last three days between heads of the two industries attending the International Iron and Steel Institute Conference, but it has proved difficult to find common ground.

The issue is the high level of European steel exports this year. The U.S. is accusing some of the European steelmakers of dumping their surplus steel by selling it at prices below the cost of production.

M. Jacques Ferry, chairman of Eurofer, the "club" of European steelmakers and president of the French Steel Federation, said before leaving Colorado Springs today that European steel sales to the U.S. were not likely to be reduced in either September or October.

Orders had been placed and the steel had either been delivered or was in the process of being made and shipped. Deliveries of European steel to the U.S. market have been running at almost 0.75m tons a month recently and the U.S. steelmakers are calling for stronger protection measures.

M. Ferry expects European sales in the U.S. to fall towards the end of 1978 and in 1979, however. "You will notice a regression of orders taken by European steelmakers."

He said that sales would fall in the long run for two reasons. First, the European companies wished to show moderation and to take account of the feelings of the U.S. industry.

Secondly, the U.S. trigger prices—the protection system against cheap steel imports—were rising to such levels that they were likely to prove insurmountable barriers to European steel sales to the U.S.

Trigger prices are based on the costs of producing steel in Japan, and they have risen as the yen has hardened against the dollar.

M. Ferry's assurances of long-term moderation in the U.S. market by European steel companies has not impressed U.S. companies.

Mr. William Verity, chairman of Armco, the company which has just withdrawn a long-standing anti-dumping complaint against the British Steel Corporation, responded to M. Ferry by saying his company is "ready to go" with a wide range of anti-dumping actions against a number of the big European steel producers, including BSC.

When the September U.S. steel import figures become available later this month, Mr. Verity and other U.S. steel leaders are to have a special meeting with Mr. Anthony Solomon, under-secretary for Monetary Affairs at the Treasury.

If the figures for European imports are still high (as is expected) the steelmakers want immediate Government action.

If the Government does not commit itself to tougher anti-dumping legislation or a new trigger price system based on European steel production costs, several U.S. companies say they will file new anti-dumping complaints. They include Armco, Bethlehem, and National Steel.

Mr. Solomon flew here to speak to the 300 delegates. Some heads of U.S. steel companies present said later that they were disappointed and his visit had done nothing to allay their fears.

He forecast that steel imports into the U.S. market would not persist at the current level of between 17 and 20 per cent of the total market, and expected the figure to fall to 12-14 per cent. The U.S. Government was not considering dismantling the trigger price mechanism, though it was essentially a short-term measure.

Also, "the Government would monitor future conditions concerning steel imports and would respond appropriately."

Dr. Dieter Spethmann, chief executive of Thyssen of West Germany, said the present trouble in the U.S. market was not caused by Europe and Japan but by the rise in third countries' imports to the U.S.

Interest rates will peak before end of year, says Fed chairman

BY STEWART FLEMING

NEW YORK, Oct. 3.

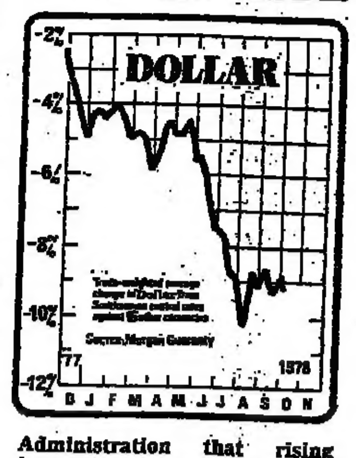
MR. WILLIAM MILLER, chairman of the Federal Reserve, predicted today that U.S. interest rates would peak before the end of the year. His forecast comes after warnings last week from the Carter Administration about the recent rise in rates.

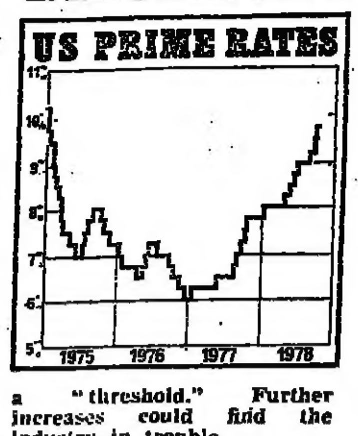
Mr. Miller's prediction closely follows remarks by President Carter at his press conference last Thursday to the effect that he believed that rates were now too high.

The Fed chairman's remarks will undoubtedly be seen as an attempt to ease the Administration's anxieties about the impact of rising interest rates on the growth of the economy and to try to prevent a gulf opening up between the Administration and the Federal Reserve over interest rate policy.

Since the middle of August, U.S. interest rates have been rising sharply, partly under the influence of the Federal Reserve Board's monetary policy. The Fed has been tightening credit conditions in the money markets in an effort to control monetary growth and thus ease inflationary pressures.

These moves by the Fed have caused growing anxieties in the Administration that rising interest rates could push the economy into recession. Officials have expressed particular concern about the impact on the housing industry. This morning these anxieties were underlined by Mr. Robert McKinney, chairman of the Federal Home Loan Bank Board, who claimed that the housing industry is now at a "threshold." Further increases could find the industry in trouble.





But while the Carter Administration is expressing its anxieties about the economy, Wall Street economists and some members of the Fed's own open market committee fear that the inflation problem in the U.S. is now entrenched and growing so rapid, that further moves by the central bank to put upward pressure on interest rates is still needed.

In his remarks today Mr. Miller, who has been cautious about the need to tighten credit throughout the summer, once again seemed to align himself more closely with the Administration's view.

He said that he does not accept that the underlying inflation rate is 7 per cent to 8 per cent — an argument advanced by those arguing for a firmer monetary policy by the Fed. He emphasised the benefits of the steps that Congress has already taken in cutting the federal budget in the fight against inflation.

It remains to be seen how Mr. Miller's remarks are taken by the money and foreign exchange markets where there is growing concern about U.S. inflation and some scepticism about the Administration's plans to tackle the problem.

Printers vote on Murdoch offer

BY JOHN WYLES

NEW YORK, Oct. 3.

THE EARLY return of Mr. Rupert Murdoch's New York Post to the city's newsstands was being decided at a crucial meeting today of 1,500 pressmen whose strike has halted all three of New York's daily newspapers for the past eight weeks.

Today's vote was made possible by an extraordinary eight-hour bargaining session on Sunday when the Post agreed a possible return-to-work formula with the pressmen's leaders.

The tentative agreement dissolved the previously united front which the New York publishers had maintained since the start of the strike and swung the balance of advantage towards the pressmen who had been resisting attempts to reduce manning levels in the newspaper printing rooms.

Negotiations between the pressmen and the New York Times and the Daily News were adjourned yesterday until tomorrow to await the outcome of to-day's vote.

Neither the Times nor the News has commented publicly on the latest moves by the president of the New York Publishers Association, Mr. Murdoch. But there is thought to be some bitternesses at the undermining of their position.

Neither of the other two newspapers has been informed of the details of the tentative agreement at the Post. It is by no means certain that Mr. Murdoch's bid to resume production ahead of the competition will prove successful.

Mr. Theodore Kheel, the lawyer-mediator who is advising the city's printing unions said yesterday that he believed the understanding was that the Post would implement whatever the pressmen negotiated with the Times and the News.

However, the pressmen's leader, Mr. William Kennedy, also claimed that the proposed agreement "protects the union concept of manning" which implies that Mr. Murdoch may have significantly relaxed his bid to reduce pressroom manning.

Nevertheless, the formula is being voted on by pressmen at all three newspapers and it is an open question of whether men who have been on strike for two months will allow a minority to return to work before all are covered by acceptable settlements.

CAB rejects Trans World plea

BY JOHN WYLES

NEW YORK, Oct. 3.

THE CIVIL Aeronautics Board has issued a qualified rejection of Trans World Airlines' plans for a new class of service for economy fare paying passengers.

The move threatens the scheduled introduction of similar proposals by British Airways and Pan American World Airways.

The board apparently has no objection to the aim of segregating economy from discount fare-paying passengers and of providing superior in-flight service.

But it argues that introducing the scheme from October 15, as TWA proposed, is unfair to cheap fare passengers.

The Board said that consumers who purchased cut-price tickets for travel after October 15 did so expecting the same kind of service as higher fare passengers and that they are thus "unfairly affected," by the introduction of a new class which they knew nothing about.

A spokesman for the Board said today that there was basically a "transition problem" and the CAB was waiting for the airline to suggest how it might be overcome.

This was confirmed by TWA this morning which said that it was working on a new filing which it hoped would meet the Board's objections and still allow the three-class service to start on October 15.

These developments will be closely watched by Pan Am and British Airways which were planning to start similar arrangements on international flights at the end of this month.

Arms sales talks 'serious'

BY DAVID BUCHAN

WASHINGTON, Oct. 3.

THE RUSSIANS are "seriously" negotiating on a Carter Administration proposal to limit worldwide sales of conventional arms, a senior State Department official said today.

But there was no indication yet that a fourth round of talks on arms sales by the two superpowers, planned for December, would end in solid agreement.

A House of Representatives committee was told by Mr. Leslie Gelb, director of the State Department's politico-military division, that the Soviet Union seemed interested in restraint.

This was partly because in the past, supplying arms to such countries as Egypt, Indonesia and Somalia, had proved counter-productive.

Overall, U.S. military sales rose to an all-time high of $13.7bn in the past year, because more was sold to NATO and other countries with which the U.S. has treaty commitments.

San Diego crash tapes released

BY STEWART FLEMING

NEW YORK, Oct. 3.

THE FEDERAL Aviation Administration has released tape recordings and transcripts of the final moments of conversation between air traffic controllers and the two aircraft which crashed in San Diego on September 25 killing at least 144 people.

The transcripts still leave unanswered many of the questions surrounding the worst air crash in U.S. aviation history.

The crash occurred when a Pacific Southwest Airlines Boeing 727 coming in to land at San Diego's Lindbergh airport was in collision in mid-air with a small one-engined Cessna on a training flight at the same airfield.

After the crash questions were immediately raised about the advisability of allowing the use of major airports by light aircraft, and in particular their use for training flights.

One question is whether or not the two pilots saw each other. There is now no doubt the Boeing was warned about the Cessna's proximity—the tower warned the Boeing pilot when the Cessna was a mile away. A crew member of the Boeing responded by saying: "Okay, we had him there a minute ago," adding "Think he is passing off to our right."

A few seconds earlier the tower had told the Cessna that the jet was "two miles behind him and "has you in sight."

The air traffic control procedures at Lindbergh are complex. The tower controls takeoffs and landings while the nearby Miramar naval air station controls regional approaches and departures.

Gen. Abreu arrested in Brazil

By Diana Smith

BRAZILIA, Oct. 3.

BRAZIL'S MILITARY authority have ordered the 20-day disciplinary arrest of General Hugo Abreu, who resigned as chief of President Ernesto Geisel's military household early this year.

The immediate cause of General Abreu's arrest yesterday, was the leak to the media of a letter he had circulated to over 100 senior officers.

In the letter, he criticised what he called the "military coterie" around President Geisel and its sponsorship of General Joao Baptista Figueiredo as successor to the president.

General Abreu alleges in his letter (published fully in the media and quoted even on censored national radio) that the coterie pushed the selection of General Figueiredo to ensure that it would remain in power during the next presidential tenure without fear of discipline from the future head of State.

After General Abreu resigned, he mounted a military candidacy opposing General Figueiredo.

His colleague, General Euler Bentes Monteiro came forward, and was later adopted by the opposition, the MDB (Brazilian Democratic Movement) as their presidential candidate.

Until yesterday's events, it seemed General Euler had few chances of a strong vote in the October 15 presidential electoral college. But now the situation may have altered.

General Abreu's 20-day arrest was described by a presidential spokesman as an inevitable response to a breach of military discipline, but informed observers maintain that the decision to arrest him was not unanimous.

In his letter, General Abreu advises against violent military action to "restore the ideals of the 1964 revolution." Since his arrest comes on the eve of the official visit of President Giscard d'Estaing, a severe military crisis could create widespread repercussions.

Canadian budget deficit tops C$800m

By Victor Mackie

OTTAWA, Oct. 3.

CANADA had a budget deficit of C$802m in August, an increase of 41.9 per cent from C$565m in August, 1977, the Finance Department reported today.

Budgetary revenues totalled C$2.66bn, down 1.2 per cent from C$2.69bn in August last year.

Expenditure totalled C$3.47bn, up 6.3 per cent from C$3.26bn.

CARIBBEAN AID

Emergency plan fails to meet expectations

BY DAVID RENWICK IN PORT OF SPAIN

THE EMERGENCY rescue plan for Caribbean economies, established during a meeting of governments and international agencies under the chairmanship of the World Bank in Washington last December, has failed to live up to earlier expectations.

A pledging session of potential donors, who formed a Caribbean Group for Co-operation in Economic Development (CGCED) in the wake of the conference, produced commitments of only $125m in financial assistance for the first year (July 1, 1978-June 30, 1979).

This is a far cry from the $800m originally envisaged by Dr. Eric Williams, the Trinidad and Tobago Prime Minister, who inspired the idea of an emergency programme—or even from the $300m the President of Venezuela, Carlos Andres Perez, considers the minimum immediate requirement for the region.

To make matters worse, donors have come forward to pay their quotas to the Caribbean Development Facility (CDF), as it is called, at a somewhat slow rate.

By the end of September, some $110m had been subscribed, $15m short of the modest target set. It seems unlikely that further contributions would be forthcoming before the end of 1978.

The initial meeting last December attracted some 41 governments from North America, South America, Europe and the Far East as well as almost every known international aid agency. Yet only ten of these subsequently came forward to pledge specific amounts, causing President Perez to express keen disappointment at the response from the industrialised world.

Many of the latter, for their part, have contended that it is unrealistic to expect them to increase their existing levels of Caribbean aid (to which the CDF is supplementary) until their own economies have recovered from recession.

Venezuela itself has contributed $12m to CDF for the first year. The United States (with whose Secretary of State, Cyrus Vance, Dr. Williams first consulted about the possibility of an extraordinary aid effort for CARICOM states battered by rising oil prices and falling export income) has given $37.5m, the largest single amount.

Britain has offered an extra $20.6m and Canada about $13.5m. Conspicuous by its absence is Japan, which cannot be said to be suffering from any form of economic recession but seems to regard its $8.3m loan to the Caribbean Development Bank (none of which has been drawn down because the terms are too rigid) as enough aid to CARICOM for the time being.

This attitude drew stern rebuke from CARICOM Ministers at the CDF pledging session. Threats have been made to erect barriers against Japanese imports to the region and to keep Japanese fishing boats out of lucrative Caribbean waters.

There is a certain irony in the fact that Trinidad and Tobago, despite its early association with the proposal for a special aid effort to help alleviate balance of payments and development capital problems in CARICOM, has not contributed anything to the CDF, although it is the only Caribbean state in a position to be a donor rather than a recipient (foreign exchange reserves were TT$4bn at last count).

This is because of Dr. Williams' dislike at how far the actual organisation and implementation of the programme has moved away from his original views on the subject.

He had envisaged a small donor group comprising metropolitan countries and agencies with a historic connection with the Caribbean. He was disdainfully described as "the conventional forms of assistance of tied aid and money provided to facilitate the exports of donor countries."

In particular he was intent on avoiding the involvement of Latin American nations in the arrangement, because of what he sees as "the danger of submerging the Caribbean identity into (the southern part of the hemisphere)."

Dr. Williams has Venezuela particularly in mind for, rightly or wrongly, he seems convinced that Venezuela harbours "neo-colonialist" intentions towards English - speaking Caribbean states—a charge that the Venezuelans have consistently rejected.

President Perez himself said recently that he hoped that "any day now" Dr. Williams would change his mind and agree to join the CDF.

Such a change of heart is unlikely. The Trinidad and Tobago Government has, in fact, set up its own "rival" fund for assisting CARICOM countries, the Caribbean Aid Project (CAP), financed solely from local resources.

As far as is known, however, no regional government has yet come forward to seek assistance from CAP.

WORLD TRADE NEWS

Japan fears mission from U.S. may be unsuccessful

BY CHARLES SMITH

TOKYO, Oct. 3.

BILATERAL TRADE between Japan and the U.S. will have to be much better balanced in future "if trade is to continue on anything like its present scale," the U.S. Commerce Secretary, Mrs. Juanita Kreps declared in Tokyo today.

Mrs. Kreps, who is visiting Tokyo concurrently with the largest U.S. export mission ever despatched to Japan, said it was impossible for the U.S. to ignore the fact that its deficit with Japan had been rising throughout most of the past 13 years and that Japan now accounted for 40 per cent of the total U.S. trade gap. She also referred to Japan's "historical unwillingness to shoulder its responsibilities under the open trading system," although conceding that attitudes were now changing.

The U.S. export mission, which Mrs. Kreps is accompanying, consists of 138 businessmen and trade officials including representatives of over 100 companies hoping to make sales in Japan. (Other mission members are concerned with investment promotion or with "explaining U.S. trade programmes.")

American officials hope that the mission will be successful enough to convince the U.S. business community that the Japanese market is now "open" and that the trade gap can be narrowed by expanding U.S. exports rather than reducing imports from Japan. Optimism that this will really be the case seems to be somewhat muted, however, both on the part of the visiting U.S. exporters and their Japanese hosts.

The Kreps mission is officially billed as a return visit by American would-be exporters following the import promotion mission which Japan despatched to the U.S. last spring. The Japanese import mission, led by the President of Mitsui and Company, placed orders for an estimated $2bn worth of U.S. products. This figure is not expected to be matched by the return mission, in part because it includes a large number of small companies, many of which are newcomers to the Japanese market.

Japanese officials also claim that the range of industries and products covered is relatively narrow despite the large number of participants. The mission is organised into five separate selling groups covering: advanced scientific equipment (including medical instruments), "modern management equipment" (including computers), machine tools, food processing equipment and car parts. Consumer goods are not represented, although this was an area in which the Japanese import promotion mission achieved particularly impressive results.

Some Japanese officials claim to be nervous that an unsuccessful sales effort by the 100 or so companies on the mission could exacerbate U.S.-Japan trade relations and stir up protectionist feelings in the U.S. Congress. It is suggested that this is quite likely, given the alleged inexperience of mission organisers about some aspects of Japanese business procedures. As a simple example: the organisers are reported to have set a target of 3,500 business interviews to be conducted by mission members during a two-week stay in Japan. Members of the Japanese reception committee for the mission say it would have been better to aim for fewer meetings and to allow more time for each one.

The scale of the problem which the mission is intended to solve is indicated by the fact that Japan's exports to the U.S. (according to Japanese figures) rose 31 per cent to $16.04bn during the first eight months of this year, while U.S. exports to Japan during the same period scored only a 10 per cent gain to reach $9.3bn. For 1978 as a whole, the deficit is estimated to reach $13bn (on the basis of U.S. figures, which show a somewhat larger gap than the Japanese Customs clearances statistics).

PUK joins Hyundai in Malaysia

By David White

PARIS, Oct. 3.

FRANCE'S PECHINEY Ugine Kuhlmann group and the leading South Korean industrial concern Hyundai Heavy Industries have signed a preliminary agreement on an ambitious aluminium project in Malaysia.

Investment in the project, including a gas-fired power plant, is estimated at $700m, making it one of Malaysia's most important industrial ventures.

Under the agreement, signed three weeks ago but only made public here today, Aluminium Pechiney, a subsidiary of the French group, plans to conclude feasibility studies in co-operation with the South Korean company by March next year.

If the project goes ahead, the aluminium reduction plant is expected to start operating in late 1982 with an initial production capacity of 90,000 tonnes a year.

The state government of Sabah, where the complex is to be sited, would share in the investment cost of the reduction plant and be responsible for the power plant, due to have a capacity of between 200 and 300 MW.

The power plant would use offshore natural gas, for which gathering facilities would also have to be built under the investment plan. Preliminary feasibility studies are already complete.

Aluminium Pechiney, which holds a leading place among European aluminium producers, already has a joint venture with Hyundai in a plant in South Korea.

European petrochemical industry urged to invest £6bn in oil-based feedstocks

BY SUE CAMERON

MONTE CARLO, Oct. 3.

A TOTAL of 35 new catalytic crackers—costing £160m each—must be built in Europe by 1985 if petrochemical companies are to be assured of an adequate supply of oil-based feedstocks until the beginning of the next century, Dr. Ken Geddes, of BP Chemicals, said today. Catalytic crackers are refinery units which produce naphtha and other light fuels.

Dr. Geddes told delegates at the European Petrochemical Association conference in Monte Carlo that "the industry must accept the prospect of significant rises in the price of petrochemical feedstocks as part of its contribution" towards the £5.9bn capital cost of the crackers.

He warned chemical companies that this could have repercussions on the size and growth rates of their markets. Dr. Geddes, reading from a paper written by Mr. Peter Walter, chairman of BP Chemicals, said the extra catalytic crackers would be needed to lighten the oil barrel and so increase production of petrochemical feedstocks. At present most oil refineries are more geared to the heavy end of the barrel which is used for fuels.

He added that adequate feedstock supplies would depend partly on the ability and willingness of the petrochemical industry "to bid away the oil from the primarily fuel outlets."

If oil production did peak in the mid-80s, world energy demand would have to be met increasingly from natural gas, coal and uranium, so that available oil could be devoted to the needs of transport and petrochemicals. These were the two industries that would find the alternatives to oil less economic.

The provision of petrochemical feedstocks would become a major objective of refinery operations in the future.

"We are bound to see oil companies moving downstream and chemical companies moving upstream," Dr. Geddes said. "This association will be of benefit in strengthening the industry to meet the external competition that faces it, as well as the longer term problem of feedstock supply."

Chemical companies which slash prices in a "desperate but unrewarding" attempt to maintain market shares were attacked by Mr. Clyde Boyd, president of Dow Chemical Europe at the conference yesterday. Sales people should be judged on their overall customer service, he said, and not only on rewarding volume selling which led to lack of profitability—a "massive leak in the petrochemical dyke, draining off our vitality."

European producers of bulk chemicals should concentrate on overseas investment and on expanding production of higher-priced speciality chemicals such as pharmaceuticals and agrochemicals. Dr. Gunter Metz, director of Hoechst, told the conference. He added that, to offset the weaker growth in Western Europe, investments should be concentrated in the U.S., South America, Australia and South East Asia.

Third World 'could face stricter rules'

BY LORNE BARLING

ORLANDO, FLORIDA, Oct. 3.

THIRD WORLD nations may have to accept stricter conditions laid down by countries which provide finance for their development, Mr. Peter Peterson, a member of the Willy Brandt Committee on North-South Relations said here.

Mr. Peterson, chairman of the United States Council of the International Chamber of Commerce, told the opening session of the ICC's congress that these countries would have to learn to help themselves, making the best use of available aid.

He also hit out at the "strident rhetoric" which some developing nations had been using in their discussions with the major industrial nations. This, he said, was often uninformed and has not helped the North-South dialogue.

Nevertheless, there was no doubt that more money was needed for the developing countries, particularly the poorest nations, and he hoped that OPEC countries would in future play a more active role.

Mr. Peterson warned that industrial nations themselves would be faced with severe problems if they did not help to boost food production in the developing world. By 1990, he said, food shortages could create severe price inflation unless some action was taken now.

At present, many companies were inhibited from investing in the world's poorer countries by "political risks," which were in fact a euphemism for financial losses. He urged that some form of arbitration system be established to prevent the breaking or early renegotiation of contracts by developing countries.

Mr. Peterson said it was essential that it be brought home to people in the U.S. that international trade was of great value, providing cheaper goods and jobs in export industries. This he said was often overlooked by special interest groups seeking to protect their own industries.

HK mass transit awards

TOKYO, Oct. 3.

TWO JAPANESE companies have won separate contracts totalling Y51bn ($269m) for second-phase construction of Hong Kong's mass transit railway project, it was announced here today.

The two Japanese companies involved, Nishimatsu Construction, and Kumagaigumi, said they will build tunnels, a station and lay tracks over 3.5km of the 10km second phase to link Prince Edward with Tsuen Wan.

Nishimatsu said its contract was worth Y29bn ($153m), and Kumagaigumi's Y22bn ($116m). Both companies have been carrying out construction work under contracts totalling Y40.5bn ($214m) on the first phase of the project. Reuter

Chrysler-Europe takeover hits Mitsubishi exports

BY YOKO SHIBATA

TOKYO, Oct. 3.

PEUGEOT-CITROEN'S proposed takeover of Chrysler's European operation has had a considerable impact on Mitsubishi Motors, which depends for about 60 per cent of its exports on Chrysler's sales network.

Mitsubishi sells all its exports to the U.S. through Chrysler's U.S. distribution channels, and sells to the Middle East, Latin America and Africa through Chrysler's overseas sales outlets, Chrysler International SA (CISA). Chrysler's massive pull-back from European interests involves the possibility its Chrysler International SA operation will bring about a considerable sales reduction for Mitsubishi Motors.

Mitsubishi also shows undisguised concern over the possibility that Peugeot-Citroen may sell its small cars in the U.S. through Chrysler's sales network.

In addition, after its retreat from the troubled European operation, Chrysler is believed to be exerting itself in production and sales of its own sub-compact cars, which have already entered competition with Mitsubishi's small cars.

Mitsubishi Motors had a tie-up relationship with Chrysler in 1971, on a basis that "Mitsubishi supplies small vehicles which will be marketed through the sales networks of Chrysler, specialising in large vehicles." This tie-up boosted Mitsubishi's exports from 32,000 vehicles in 1970 to 98,000 vehicles in the year after the tie-up. The company exported 320,000 vehicles last year, and 430,000 vehicles are planned to be sold abroad this year.

However, Mitsubishi has begun to suffer a sizeable sales decline in the U.S. market since the beginning of this year, down 26.2 per cent in the first eight months from the same period last year.

Mitsubishi's sales setbacks in the U.S. coincided with the introduction of Chrysler's own small vehicles Omuni and Horizon at the beginning of this year. It is quite conceivable that Chrysler has given top priority to sales of its own small cars.

"Mitsubishi Motors can't stand the present position of just looking at other car makers' good luck in the world's largest U.S. market with impotent envy," said Mr. Tokio Kubo, president of Mitsubishi Motors, before his departure for the U.S. via Western Europe.

"Mitsubishi is even considering setting up its own sales networks in the U.S. This will be proposed at a Chrysler-Mitsubishi summit meeting scheduled for the middle of October."

Singapore buses order

FINANCIAL TIMES REPORTER

A £2M order from Singapore for 100 double deck buses has been won by Leyland Vehicles, the BL subsidiary, after a 15-month trial period with 20 of its Atlantean rear-engined models.

The contract is a considerable breakthrough for the British company, which has been trying to sell double deck buses to Singapore since 1975. The company is seeking to expand its range of overseas markets now that UK demand is levelling off, and Singapore has been a prime target because road congestion puts a premium on the efficient use of space.

Leyland's single and double deck buses already account for nearly half the total fleet of 2,700 buses operated by Singapore Bus Service. The new vehicles, which include UK-supplied bodywork, will be delivered during 1979.

Leyland also announced another £4m-worth of orders for 225 single and double deck bus chassis from the West Indies and East Africa. The vehicles will be going to Jamaica, Kenya and Malawi.

Franco-Soviet talks

BY OUR OWN CORRESPONDENT

PARIS, Oct. 3.

HOPES FOR big French contracts in the Soviet Union have been raised here by Mr. Vladimir Kirillin, Soviet Deputy Premier.

Mr. Kirillin, in Paris for a two-day meeting of the Franco-Soviet "grand committee," said in a newspaper interview that France might soon sign a deal to supply oil production equipment.

Other contracts being discussed included telecommunications and computers — although Mr. Kirillin did not refer specifically to CII-Honeywell-Bull's interest in supplying Tass with a second computer following President Carter's veto barring Sperry Rand from fulfilling its order. France and the Soviet Union had additionally exchanged information on experimental nuclear reactors, he said.

The French engineering group Technip is also believed to be in line for a gas recovery programme in Siberia, while there is talk of a FFr 3bn ($690m) aluminium plant in Siberia, which would involve Pechiney-Ugine Kuhlmann.

The talks take place against the background of a sharp fall in France's business with the Soviet Union. Franco-Soviet trade in the first six months of the year dropped to FFr 5.5bn from FFr 13bn in the same period last year.

Some French commentators have linked the sharp fall-off in trade relations — at a time when the West Germans, for instance, have increased their Soviet market — with political differences, particularly over French intervention in Africa and France's moves towards closer economic ties with China.

HOME NEWS

Beecham drops £18m antibiotics plant for Ireland

BY KEVIN DONE

THE BEECHAM Group has dropped plans to build an £12m pharmaceuticals factory in Ireland. It will instead expand production at plants outside the Republic.

The Beecham Pharmaceuticals' international division announced its plan to build an antibiotics plant at Balleycasey, near Shannon, County Clare in April last year. The factory would have created 250 jobs.

Planning permission was given by Clare County Council, but a group of local people objected to the proposed plant on environmental grounds.

After an unsuccessful appeal to the Irish Planning Board, they decided to take the case to the High Court to seek an injunction preventing Beecham from starting work on the site.

The High Court case has been pending for the past nine months, but no date for the hearing has been fixed.

Beecham said yesterday that it could not afford to wait any longer. Production at existing factories had to be expanded urgently to meet growing demand for pharmaceutical products. "The requirements of the business leave no alternative."

The original plan was to build an integrated pharmaceuticals factory including bulk production, formulation and packaging of antibiotics, such as semi-synthetic penicillins.

After the early delays, the plan for bulk production was dropped last November.

Beecham's decision will be a blow to the Irish Government, which has been particularly successful in recent years in attracting pharmaceutical companies to Ireland. Favourable tax regulations have made Ireland an attractive place for export industries

Beecham said yesterday that it had still to decide which factories would be expanded in other countries.

The international division, which was responsible for the Shannon project, has its major markets in Africa, the Middle East and the Far East. The company has some factories in these regions.

In the UK, it is already committed to a £41m capital spending programme over the next three years at its pharmaceutical factories in Worthing and Crawley, Sussex, and Irvine, Ayrshire.

Our Dublin correspondent writes: The plant would have been sited in one of Ireland's unemployment blackspots.

But Beecham's decision could have repercussions for the whole country. The Raybestos brake factory in Cork has still not found a site for dumping asbestos waste because of objections from local people.

The Industrial Development Authority fears that industrialists may be deterred from investing in Ireland if they feel they are going to face this kind of problem.

Resident's groups have clearly discovered how to exploit planning legislation to the full.

Posting dates

LAST posting dates for surface mail to reach Australia, New Zealand and other Far East countries in time for Christmas fall due next week. Parcels and packets should be posted by October 9, and letters and cards not later than October 11

£300m pumped storage power station planned

BY RHYS DAVID

THE Central Electricity Generating Board is considering building a pumped storage power station for the 1990s at Tintwistle in the Peak District National Park, 13 miles east of Manchester.

The £300m scheme, which could take up to ten years to complete, would involve the use of two existing reservoirs in the Longdendale Valley and the building of a new reservoir on an adjoining plateau.

The plan is likely to run into substantial opposition from environmentalists anxious to prevent further development within the park. But the Board made it clear yesterday that no firm proposals were being brought forward at this stage.

The Board has invited the Peak Park Joint Planning Board to undertake a joint study of the implications of the development and its impact on the leisure and recreation in the area. The Board is likely to consider the invitation later this week.

These two stations will meet the electricity grid's needs for instantly available extra supply at times of peak demand through the 1980s, but by 1990 further pumped storage capacity will be required.

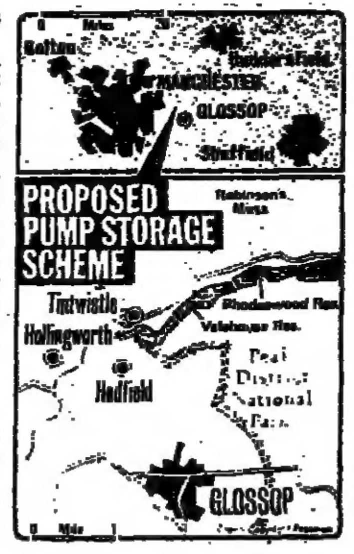
Informal talks have already been held with the North West Water Authority to whom the reservoirs belong. These are likely to be followed by more detailed discussions on arrangements for joint use of water catchment in the area for public supply and pumped storage.

The pumped storage system provides the electricity industry with one of its most efficient means of turning on extra supplies to meet peak demand.

This is done by pumping water from a lower reservoir to one at a much higher level when demand is low, and creating a bank of stored energy when there is surplus power, such as during the night.

The water is then returned the following day during peak demand to the lower reservoir, driving water turbines and generating electricity in the course of the transfer.

The Generating Board already operates one small 360 MW pumped storage station at Ffestiniog in North Wales, and is expecting to complete the building of a much bigger 1800 MW station on the site of a former slate quarry at Dinorwic, also in North Wales, by the early 1980s.



Ideal base

Unveiling the Board's tentative plan in Manchester yesterday, Mr Len Nash, Northern Station planning engineer, said the Tintwistle site met a number of requirements essential to the scheme.

The valley already had five major reservoirs within it, and its banks rose sharply to a high plateau providing an ideal base for the new upper reservoir.

The scheme would also be able to take advantage of existing major transmission lines running through the valley, and would be close to the major load centres of the North West. The board had not yet decided the electricity generating capacity of the scheme, but it is thinking in terms of between 1,200 MW and 1,800 MW.

If the North West Water Authority agrees to co-operate, the scheme would involve linking two existing reservoirs in the Longdendale Valley, to form the lower pumped storage reservoir.

The new merged lake would have a water area probably 50 per cent to 75 per cent greater than the 50 hectares of the existing two reservoirs, and some loss of agricultural land already owned by the water authority would be likely.

The upper reservoir would be created by excavation and the building of an embankment. It would have a surface area of about 55 hectares and would affect land now used for sport.

China clay sales rise

SALES OF china clay produced in the UK during the three months to end-August was 721,296 tonnes, about 44,000 tonnes up on the same three months last year.

The China Clay Association said yesterday that in the first eight months of this year there had been only a slight increase in sales—to the domestic and export markets—over the same period last year.

More cuts sought in textile imports

By Our Bradford Correspondent

THE WOOL textile industry based in Yorkshire is seeking talks with Government Ministers to press for more import curbs.

The industry is particularly concerned about the large increase in imports of Italian cloth.

Mr. Tom Hibbert, chairman of the Wool Textile delegation, yesterday outlined the problems to Bradford Textile Society.

In the first seven months of this year, imports of Italian cloth were 23.5m square metres, compared with 12.5m square metres last year.

Dialogue

MPs and union representatives would be in the deputation to see a Government Minister.

"It is now really beyond Government departments and our delegation. It is now a matter for dialogue between Governments to stop this.

"We have to convince our Government that they have to go to the Italian Government and say: 'Either stop this, or we shall do something'."

Water bill may be paid in stages

FROM next April the 3½m domestic households in the Thames Water Authority area will have the option of paying their water bills in four instalments, instead of half-yearly.

A leaflet sent this week to every domestic consumer with the half-yearly water bill, recalls that, while the Price Commission earlier this year agreed to a 9.5 per cent increase in charges, one of its recommendations was that the authority should examine further the cost of offering its customers the option of paying by instalments.

The leaflet repeats that although the Commission had agreed the 9.5 per cent price increase, the Thames Water Authority had decided to maintain its increase at 7.2 per cent until next April.

If a householder decides to opt for instalment payments, they would be made on the last days of April, June, October and December.

Artificial cigarettes fail sales targets, Celanese admits

BY OUR CONSUMER AFFAIRS CORRESPONDENT

A MAJOR U.S. supplier of tobacco substitutes admitted yesterday that sales of cigarettes containing the artificial material had not reached their projected targets.

The U.S.-based Celanese Corporation, which manufactures the Cytrel brand of tobacco substitute, said that in spite of the failure of sales to meet targets "we remain optimistic for the future of Cytrel."

Cytrel was blended with natural tobacco in some brands sold by Rothmans, British-American Tobacco, and Gallaher in both the UK and Europe.

The launch of cigarettes containing tobacco substitutes met with a poor reception in the UK and prompted the big cigarette manufacturers to cut their commitment substantially.

The new smoking material was introduced to meet the seeming growing demand for a safer cigarette, but consumers were apparently reluctant to switch to the new product.

Cigarettes containing Cytrel were first launched in Germany in December 1974, then in Switzerland, and finally, in the UK last year. Celanese claimed yesterday that in spite of initial response, smokers in Europe were slowly coming to accept the new product.

"We had always expected that consumer acceptance would be gradual. In spite of the substantial adverse reaction when they were launched, it is becoming clear that a significant number of smokers in Europe have now accepted them," Celanese said yesterday.

The company estimated that total European sales of cigarettes blended with Cytrel were running at a rate of more than 1m a day.

The biggest sales are in the UK, although the company says that the figure is minute compared with total cigarette sales.

"Nonetheless, it indicates that the new cigarettes have established a small following upon which manufacturers can build in the longer term," the company said.

'Unsatisfactory gap' in Ulster education

BY COLLEEN TOOMEY

BETTER COMMUNICATIONS between education authorities, industry, trade unions and voluntary training bodies are needed to narrow the unsatisfactory gap in education for Northern Ireland's 16-year-olds, according to a discussion paper published yesterday.

A working party set up last year by Lord Melchett, the Northern Ireland Minister of Education, suggests in the paper that an educational council, representative of each sector in the community, should be set up to debate educational policy issues.

It says about 28 per cent of children in Northern Ireland leave school at 16 without any GCE or CSE qualifications and no one knows how many leave without a job to go to.

It recommends that secondary schools should have academic boards. These should report to governing bodies which are more representative of the community.

Ulster's serious social and economic problems justify special treatment and special measures, the report says, but palliatives are not enough.

Most of the 112 recommendations made by the seven-strong working party drawn from industry and schools are aimed at young people who are in the bottom half of the social and educational scale.

They include further opportunities for young people to study or undergo supervised work until they are 18; obligations on employers of 16-18-year-olds to offer day-release for specialist training or general education; and the right for 16-year-olds unable to get jobs to study or train full-time for two years.

The working party expects that if the recommendations were carried out, they would alleviate the serious problem of youth unemployment in the province because, as the number of children who did well at school and went on to higher education increased, so the difficulties in placing unqualified children in jobs would ease.

Opportunities at Sixteen, Belfast SO, £4.00.

New SPD depot

SPD Distribution aim to streamline distribution services in Bristol, South Wales and the South West with a new 100,000 sq ft warehouse at Thornbury, Avon. It will replace SPD depots at Cardiff, Swansea and Brunel Way, Bristol.

APPOINTMENTS

J. Walter Thompson's new chief

Mr. Michael Cooper-Evans becomes managing director of J. WALTER THOMPSON CO. on October 9, when Mr. John Lindesay-Bethune, at present managing director of both JWT and JWT Group, relinquishes the company post to concentrate on expanding the Group.

*

The AUTOMOBILE ASSOCIATION has appointed Mr. Mungo Bisset as director of finance. He joined the AA in 1977 as internal auditor, and is succeeded by Mr. Henry North who for five years has been manager, financial accounts.

*

JARDINE, MATHESON AND COMPANY announce that Mr. D. D. B. McLeod and Mr. J. A. Heywood have been appointed deputy managing directors.

Mr. McLeod joined the firm in 1957, has worked in Hong Kong, Singapore and Japan, and was appointed a director in 1974. He will have operating responsibility for all Jardines' operations based in Hong Kong, which accounted for 37 per cent (HK$240m) of the company's 1977 earnings.

Mr. Heywood joined Jardines in 1962, has worked in Hong Kong, Thailand and Singapore, and became a director in 1972. He will have operating responsibility for all Jardines overseas operations including South East Asia, North East Asia, Australia, Hawaii, Southern Africa and the Middle East.

Mr. J. J. G. Brown remains managing director of Jardines but, as previously announced, he will be retiring from this appointment and the Far East at the end of 1978. Thereafter he will join the Board of Matheson and Company in London and remain on the Jardines Board as a non-executive director.

JARDINE FLEMING AND COMPANY announce that Mr. Nicholas Sibley has been appointed deputy managing director of the company. He has been a director of Jardine Fleming since October 1972, with responsibility for the corporate finance department.

*

Mr. Robin Kilburn has been made a director of CLIVE INVESTMENTS. Mr. Norman Dilley has been appointed a manager, and Mr. Guy Greenwood an assistant manager, of CLIVE DISCOUNT COMPANY.

*

Mr. E. M. Lindley, at his own request, has resigned from the position of managing director of ROPNER INSURANCE SERVICES and its wholly owned subsidiaries to become executive director with special responsibility for the North American account. Mr. J. S. Bennett and Mr. G. L. J. Ropner have been appointed joint managing directors of the company and its wholly owned subsidiaries.

*

BRITISH RAILWAYS BOARD announce the appointment of Mr. M. G. Ferrand as director, internal consultancy services. He joins British Rail from Cannon Assurance. In his new post he will lead a department which will act as a service to management at all levels of the railway organisation, identifying and developing productivity opportunities both impacting on and stemming from investment, manpower, and resource plans, says BR.

Mr. C. R. Wood, chief finance officer, London Midland Region, British Rail, has been appointed financial director and company secretary, BRITISH RAIL ENGINEERING. Mr. Wood succeeds Mr. J. B. Watts who transfers to British Railways Board headquarters.

*

Mr. R. N. da Costa will be retiring from full partnership with E. B. SAVORY, MILLN AND CO. on October 27, but will remain associated with the firm.

*

Lord Remnant has been elected chairman of THE CITY OF LONDON BREWERY AND INVESTMENT TRUST. Sir Martin Wilkinson, who retires as chairman, continues as a director of the company.

*

Mr. William Griffiths has been appointed joint managing director of the THOMAS JOURDAN GROUP. He has previously held the posts of assistant managing director of BTR Industries and director of Haden International.

*

Mr. Wilfred Meakin, director general of ordnance factories (weapons and fighting vehicles) in the Ministry of Defence (procurement executive) has been appointed to the post of managing director, ROYAL ORDNANCE FACTORIES and head of engineering staff (land and air) in the same department. He will take up the appointment on February 11, 1979, on the retirement of Sir Sydney Bacon.

*

Mr. Douglas Galloway has been appointed general manager of BASILDON DEVELOPMENT CORPORATION and will take up his new duties on January 1. He is, at present, chief architect/planner for the corporation and has been responsible for much of the planning and design of Basildon.

*

Mr. Constantine N. Canonis has been named assistant vice-president in charge of BANKERS TRUST COMPANY'S representative office in Athens, Greece.

*

Mr. R. E. Seers, general sales manager of Philips major appliances division has been appointed a director of HARDMAN ISHERWOOD, Leeds.

*

The Secretary of State for Transport, has appointed Dr. A. W. Taylor as chairman of the newly-reconstituted TEES AND HARTLEPOOL PORT AUTHORITY, until February 28, 1981. This follows a Harbour Revision Order in May 1978 which brought into force a new constitution for the Port. The purpose of the reconstitution was to replace a Board of 18 members with a smaller non-representative Board with a proportion of executive members. Other members of the Board appointed are Mr. J. W. Cockfield; Mr. G. Hall; Mr. D. S. Hay; Mr. G. D. Saul; Mr. P. Tiso; Mr. C. B. Ward; whose appointments will run from October 1 to February 28, 1981; and Cllr. C. Godfrey and Cllr. F. Rogers whose appointments will run to February 29, 1980.

*

ROCLA PIPES has appointed Mr. W. A. King as managing director. He has been production manager for the company's St. Helen's and Newport Pagnell factories.

*

Mr. Roger Squire, MEPC's development controller, and Mr. James Tuckey, the company's estates controller, have been appointed to the Board.

*

THE CRAFTS ADVISORY COMMITTEE announces that Lord Reilly (formerly Sir Paul Reilly), the Committee's first chief executive and still a member, has been elected president of the World Crafts Council in succession to Viscount Eccles.

*

KAISER ALUMINUM AND CHEMICAL CORPORATION, U.S., has elected Mr. Cornell C. Maier chairman of the Board, succeeding Mr. Edgar F. Kaiser who has been named chairman emeritus and honorary director for life. Mr. Maier, presently president and chief executive officer of the corporation, will continue in those responsibilities.

*

Mr. B. G. Adams, Mr. R. W. Bosshard, Mr. J. R. Charman, Mr. D. J. Downing and Mr. K. A. F. Long have been made directors of A. L. STURGE (SYNDICATES MANAGEMENT).

*

Mr. P. A. G. Osler, deputy chairman, will retire from the Board of WESLEYAN AND GENERAL ASSURANCE SOCIETY on December 31. Mr. J. A. Alderson, vice-chairman, will be appointed deputy chairman from January 1. From the same date, Mr. H. J. Jones, director and general manager, will be appointed vice-chairman—but, after 48 years service, will retire from the position of general manager on September 30, 1979. Mr. D. L. Robinson, director and deputy general manager, will be appointed managing director with effect from October 1.

*

Mr. Basil Saunders has been appointed director-general of ASLIB, succeeding Mr. Leslie Wilson.

*

Mr. James W. Denny, Jr. has been appointed manager, Middle East contracting services for OWENS-CORNING FIBERGLAS CORP. at Athens, Greece.

Ulster company talks with Renault

By Our Belfast Correspondent

THE DE LOREAN Motor Company, which is establishing a sports car assembly plant in Ulster, is hoping to set up production facilities in the province for two of its proposed suppliers.

Mr. John De Lorean, the 53-year-old former General Motors executive behind the new project, confirmed in general terms that his company was in negotiations with Renault of France.

His company's proposed new sports car will use Renault's V6 engine and transmission. It is transmission components upon which the talks are understood to centre.

More specifically, Mr. De Lorean confirmed that discussions were proceeding with Recaro, the West German manufacturers of car seats.

"Our plan is to establish with them a joint venture in Northern Ireland where we would build their seats, probably not only for our cars but for other manufacturers in other places."

His company would soon announce the appointment of a managing director for the £65m Ulster operation. The man concerned is understood to have been with Chrysler Europe until now.

Terminal's total

A SHIPMENT of Swedish iron ore yesterday brought the amount of ore handled at the British Steel Corporation's terminal at Redcar on the south bank of the River Tees to 25m tonnes since the opening of the terminal in July 1973.

Severn Bridge may close for repairs

BY ROBIN REEVES, WELSH CORRESPONDENT

CONCERN IS growing in South Wales and the West Country that the Severn Bridge may have to be closed temporarily for another programme of repairs to its basic structure.

Mr. Roy Hughes, MP for Newport, Gwent, has asked Mr. William Rogers, the Minister of Transport, to issue a detailed statement on whether it is true that the bridge has two miles of cracked welded joints, and whether it is likely to be closed for a time.

A government official said yesterday that the Ministry of Transport would make a statement shortly on further repairs to the 12-year-old bridge.

It has already absorbed more than £1m in reconstruction and maintainance bills since it was opened in September 1966. The cost of new repair work is put as high as £1m.

The official refused to say whether traffic-lane closures, responsible for serious disruption in the past, would be involved.

He described as "utter rubbish" speculation that the work might require complete closure of the bridge.

He was prepared to admit that he was "not an engineer and not in a position to state precisely" how much disruption would be involved.

The bridge carries the M4 across the Severn Estuary and is a vital artery of the South Wales economy.

Built to carry four lanes of traffic, it has suffered a series of problems associated with its welded box girder design, which have resulted in restricted traffic flows for long periods.

A big programme of repairs was completed last May after a 15-month period of single-line traffic each way.

During this work, to correct weaknesses in the rocker assemblies which support the bridge, cracks were found in some of the welding.

The new repairs will evidently involve examining all the welds, many below the road surface. Thus, the work promises tearing up a large part of the road.

This prospect is blowing up only three weeks before the Transport Ministry is due to open a public inquiry into its plans for raising the bridge toll from 12p to 20p.

The proposal has run into heavy opposition from South Wales, which feels it will act as a disincentive in attracting new industry to the area.

Controls aim for X-ray safety

BY JAMES McDONALD

A NEW comprehensive framework of controls on the use of ionising radiations — including X-rays—designed to give greater protection to workers and the public, even people using the dentist, is proposed by the Health and Safety Commission.

A consultative document issued yesterday by the Commission says that draft regulations are to be drawn up under the Health and Safety at Work Act to replace the present Ionising Radiations Regulations of 1968 and 1969, which apply only to factories.

The Commission said yesterday that, outside factories, only voluntary codes of practice were observed by other users, such as in medicine and dentistry.

The new regulations proposed would lay down standards for the health protection of all workers against the danger of ionising radiations and for the public.

They would also lay down proper "dose" standards for people working with radiation.

Comments on the document should be sent by January 3 to Mr. R. P. Whitehead, Health and Safety Executive, 25 Chapel Street, London NW1.

A second consultative document is expected to be issued next summer and the commission hopes to see the new controls on the statute book by mid-1980.

Ionising Radiations—Proposals for Provisions on Radiological Protection. Health and Safety Commission, SO, 50p.

Builder attacks mortgage queues

THE CHAIRMAN of Barratt Developments, Britain's largest house builders, accused the Government yesterday of ending abruptly the resurgence this year in the building industry and creating mortgage queues.

Mr. Laurie Barratt said in Glasgow that the Government had removed the competitive attraction of the building societies by deliberately making National Savings more attractive—channelling funds into Government coffers "no doubt to be squandered instead of helping young couples embark on house purchase."

The building industry throughout the country was in a continuing state of crisis, suffering from the biggest depression since the last war. The public housing sector continued to stagnate, without the resources to improve the housing stock, and private housing completions last year had been the lowest for more than a decade.

The encouraging signs earlier this year that the private housing sector was about to reverse the decline with the help of the building societies had ceased because of Government interference in mortgage supply, and lately with the improvement of National Savings interest rates.

Damage caused to the private house-building sector through delays of up to five months in granting mortgages was adding a further £400 to £500 to the price of a new house because of cash-flow and interest problems.

"The recession will end when the Government withdraws their obstruction to the private housing sector," Mr. Barratt said.

Powell urges UK to withdraw from monetary system

BY RUBERT CORNWELL, LOBBY STAFF

THE PROPOSED European Monetary System was a trap for Britain that would lead to France and Germany "winning by far the greatest battle so far in the war of conquest they are waging against the United Kingdom," Mr. Enoch Powell said last night.

Mr. Powell, speaking in Berkshire, carried his evangelical crusade against the Common Market to a new pitch of intensity.

British acceptance of the new currency arrangements being worked out by the Nine would cost the country its political sovereignty and independence, he declared.

An "elephant pit" was being prepared for Britain, into which the Government was blindly rushing.

Parliament had taken little notice of what was afoot and unless Britain speedily spelled out its refusal to take part, matters would be settled by December.

"Simpletons who live in a barley-sugar world are at liberty to imagine that our friends the French and our good, kind German allies have thought up yet another plan for affording assistance to us British in reducing inflation and expanding our trade and production.

"Those who know the real Europe, that seething cauldron of resentment, ambition and hostilities, understand very well what is afoot.

"Step by step, the once-proud offshore island is to be turned into a subordinate province."

The only dispute would be between France and Germany over the division of the spoils. But that argument was some way off, and for the time being the two nations could help each other to impose their common purpose.

A common currency, which would be set at the heart of the envisaged scheme, meant common government. "The one is meaningless and impossible without the other. Accept common money and you have accepted common government."

Mr. Powell's remarks leave no doubt of the enduring scorn of the Ulster Unionist MP for the Conservative Party, which he abandoned in February 1974, largely over its continuing relatively favourable attitude to the Common Market.

He predicted that the Tories would lamely approve a plan which would involve a substantial extra surrender of national sovereignty.

The European Monetary System was likely to be approved by heads of Government of the Nine when they meet in December.

£3.5m factory opened

BY RAY PERMAN, SCOTTISH CORRESPONDENT

A £3.5m FACTORY and administrative headquarters was opened in Livingston new town, West Lothian, yesterday by Abbey Chemicals.

The company, jointly owned by NL Industries of New York and Streetley of Nottinghamshire, specialises in products for paint, ink, lubricants and cosmetics.

Its development at Livingston, employing 53 people, brings together its manufacturing works, previously at Stratford, east London, and offices, which were at Harrow.

Tory plea for new aid pledge to small companies

By John Elliott, Industrial Editor

A WARNING THAT the Conservative Party must make firm commitments to help small companies was issued yesterday by Mr. David Mitchell, chairman of the party's small business bureau.

This reflects growing concern among some Conservative activists that the party has not been specific enough about its plans. They fear that it is being overtaken in propaganda terms by Labour Government initiatives developed under Mr. Harold Lever, Chancellor of the Duchy of Lancaster.

Mr. Mitchell, MP for Basingstoke, said in Scotland last night that his party should not think the "votes of small businessmen are in the box already.

"Commitments are needed now, followed by action after the election."

Pledges had been made about changing general taxation, removing profit and price controls, and reducing Government statistical forms.

Although he did not spell them out, more positive commitments on other issues are also wanted by those representing small businessmen's interests.

These include reducing the impact of employment legislation and helping with direct financing problems, perhaps through a State-backed guarantee scheme for clearing bank loans.

Opel launches £9,500 luxury model

OPEL, General Motors' German subsidiary, today unveils two new models for the British market to compete with Jaguar, Mercedes and BMW.

They are the four-door luxury Senator costing £9,500 and two-door hatchback coupe version, the Opel Monza, with a price tag of £9,762.

Opel has now moved from the small and medium market, with a top price in the £5,000 range, to cars which will sell in Britain at £9,500 and above.

The new cars have a three-litre, six-cylinder engine equipped with fuel injection and electronic ignition which can take the Senator to a top speed of 128 mph, and the Monza to 133 mph.

They will be on display at the International Motor Show due to open in Birmingham later this month.

Duke's death duties challenged

A HIGH COURT judge was asked yesterday to rule that death duties of at least £1m should not be paid on the £4m estate of the fourth Duke of Westminster because he died of war wounds.

The duke's executors — his brother Robert, the fifth duke, and Mr. George Barty-King — are challenging the refusal of the Ministry of Defence to grant a war wound certificate which would exempt the estate from duty.

The duke, head of the richest family in England, owning 300 acres in Mayfair and Belgravia, died of cancer and blood poisoning in 1967, aged 60.

His executors claim that his death resulted from a wound he suffered while commanding a tank regiment in France in 1944.

Mr. John Vinelott, QC, for the executors, told Mr. Justice May that the Ministry had considered the case four times and each time refused to grant a certificate.

The Ministry had drawn "a veil of Crown privilege" around the deliberations leading to their decisions, keeping the executors in the dark, Mr. Vinelott said.

The Ministry had said it would look at the matter a fifth time, but the executors considered this would be grossly unfair to them and wanted the court to make a ruling.

The case, expected to last four weeks, is based on the 1952 Finance Act, which states that Servicemen would not have to pay estate duty if they died from wounds received on active service, "other service of a warlike nature" or if their death, even at a later date, resulted from war injuries.

The hearing continues today.

Shire counties plan to study village decline

THE Association of County Councils has announced plans for a study on the decline of the village.

Mr. Gervas Walker, chairman of the association's policy committee and chairman of Avon County Council, said yesterday that the survey would examine the difficulties shire counties had in providing equitable services for townspeople and villagers.

The deprivation of rural areas had been made worse by the Government's decision in recent years to redirect rate support grants away from shire counties towards the large cities.

Albright buys London site

BY KEVIN DONE

ALBRIGHT and Wilson, the phosphorus-based chemicals company, has bought a £3.8m site in east London for the expansion of its flavours and fragrances subsidiary, Bush Boake Allen.

The site on the Uplands Trading Estate in Walthamstow has been bought from Great Portland Estates. It is next to Bush Boake Allen's existing headquarters and factory.

Mr. Ron Mason, managing director of Bush Boake Allen, said there were no immediate plans for the site, but it would be an important element in long-term company growth.

Bush Boake Allen is the UK's largest manufacturer of flavours and fragrances, which are used by the food, drink, cosmetic and pharmaceutical industries.

It is expected to play an important part in the expansion of Albright and Wilson, which was taken over earlier this year by Tenneco, the U.S. conglomerate with interests in oil, gas, packaging, agriculture and insurance.

In August, Bush Boake Allen announced a £500,000 expansion plan for its factories in the UK and in the U.S. Last year it had operating profits of £8.6m on a turnover of £49.6m.

By-elections date set before vote on Queen's Speech

BY RUBERT CORNWELL, LOBBY STAFF

THE TWO outstanding by-elections, at Berwick and East Lothian and at Pontefract, are set for October 26, just a few days before the key Commons vote on the Queen's Speech containing the Government's legislative programme for the next session.

A special insertion in the London Gazette makes clear that the Speaker, Mr. George Thomas, will move the writs for the two former Labour seats on Friday—in time for polling to take place in just over three weeks.

Pontefract, held by the late Mr. Joe Harper, MP, with a majority of 23,242, in an impregnable Labour stronghold, but the Berwick seat, which because vacant on the death, in July, of MP, Prof. John Mackintosh, is marginal.

The Tories need a 2.9 per cent swing to capture it, a feat well within their grasp to judge from recent by-election results, even those in Scotland where Labour has fared better than in England.

The Labour candidate at Berwick is Mr. John Home Robertson, a 29-year-old farmer. His Tory opponent will be Miss Margaret Marshall, while the Liberals are also contesting the seat for only the second time in 28 years.

The Government and its usual supporters can now muster 310 votes in the Commons, a minority of nine against all other parties, if the Nationalists are included.

An interesting feature of the Berwick vote will be the SNP's performance. Although the Nationalists won only 13 per cent of the poll in October 1974, and have no chance of victory, the party will be looking for a sign that their fortunes are on the mend.

Should there be some indication that their support is improving, some senior party officials believe that the 11 SNPs, the most likely allies if the Government is to survive the Queen's Speech division, may put a higher price on their support.

Rowland allegations meet with silence

FINANCIAL TIMES REPORTER

THE FOREIGN OFFICE would make no comment yesterday on accusations by Mr. Roland "Tiny" Rowland, chief executive of Lonrho, the multinational trading group, that Dr. David Owen, Foreign Secretary, had tried to persuade him to withdraw the company's legal action against the major oil companies for damages over the supply of oil to Rhodesia.

Mr. Rowland alleges that when Lonrho continued with its action, the Government withheld a statement from the Attorney General's office clearing the company of any criminal implications after an investigation into its affairs by the Department of Trade.

Mr. Rowland made the accusations in a letter sent to Dr. Owen on September 18. The text of this was released to the Press by Mr. Rowland this week, together with a reply by Mr. G. G. H. Walden, Dr. Owen's private secretary.

Mr. Rowland wrote that at a meeting with Dr. Owen in July last year—a few months after the establishment of the Bingham inquiry into oil sanctions busting—the two had discussed "the oil supply to Rhodesia and Lonrho's writs against the major oil companies over that supply."

It had been Dr. Owen's "polite but strong contention that the case ought to be withdrawn and settled by other means."

Mr. Rowland said that Dr. Owen had told him that "Lonrho itself would be one of the victims if the company persisted with our legal action against the oil companies, in that all international companies would be wounded by public discussion of the contents of documents received by the Foreign Office."

Mr. Rowland went on to link this alleged remark by Dr. Owen to the Tanzanian Government's decision earlier this year to expel Lonrho—on charges of sanctions-busting and meddling in Rhodesian politics. Mr. Walden denied the link.

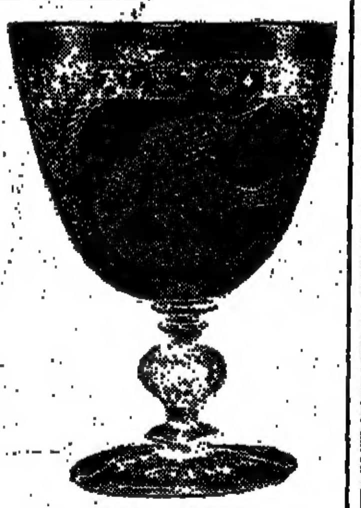
Replying to these accusations, Mr. Walden said in his letter that Mr. Rowland's account of his meeting with the Foreign Secretary "does not correspond with the facts."

The meeting had been intended to urge Mr. Rowland to make evidence in his possession available to the Bingham inquiry. Dr. Owen's sole purpose had been to ensure that Mr. Bingham had all the relevant information so there would not be any possible charge of cover-up.

Closure threat

TEACHERS AT a school for difficult children that faces closure are preparing to take a salary cut in an attempt to keep it open. The White Lion Street Free School in Islington, London, is unlikely to survive if the Inner London Education Authority refuses to give a grant.

Elizabethan goblet sold for £75,000



Record breaking goblet

A GOBLET from the reign of Elizabeth I was sold at Christie's yesterday for £75,000, a world record auction price for a piece of glassware.

The presentation goblet, 6½ ins tall, was discovered in a hatbox in an English country house. It is dated 1584 and is the work of the celebrated Venetian, Giacomo Verzelini.

Heide Hubner, a dealer from Wurzburg, West Germany, bought the glass, which had been expected to fetch £20,000.

The sale of English and Continental glass realised a record £152,417.

SALEROOM

BY JOHN FALDING

The second highest price was £12,000 paid privately for a 17th century Nuremburg hausmalerei schwarzlot goblet by Hermann Benckert.

A sale of old master prints at Christie's made £41,789, with an anonymous bidder paying £900 for an album of decorative prints after Nicholas Poussin and others.

Phillips and Harris bought a George III carved mahogany four poster bedstead for £2,100 in a Phillips furniture sale which totalled £38,100. The same buyer paid £1,600 for a George III mahogany partners' desk.

A Phillips book sale totalled £22,202, and Walford paid £1,350 for two 1809 volumes of figures of plants in a Gardeners' Dictionary by Philip Miller. A jewellery sale realised £35,520.

European links vital to motor industry

FINANCIAL TIMES REPORTER

THE SUCCESS of the British motor industry depends upon developing European links, Sir Barrie Heath, president of the Society of Motor Manufacturers and Traders, said last night.

His speech, made in Paris on the eve of the Motor Show there, comes only a few days after Lucas, the UK components company, was thwarted in its bid for Ducellier of France by an apparent blocking action from the French Government.

But Sir Barrie, who is also head of GKN, the largest British engineering and components company, did not refer to this set-back for Britain's components industry.

"Further steps forward have been made this year, and are in progress towards integration and co-operation across what, not long ago, were real trade and political boundaries," he said.

Our trade with Europe, particularly in the vehicle component area, was increasing rapidly as was direct investment in the motor components business.

Failure

The British vehicle industry's failure to satisfy its customers in the UK this year could well "erode its long-term competitive position."

Vehicle production in Britain had risen only marginally this year in spite of large increases in car and commercial vehicle sales.

Car output was up 1.3 per cent, compared with a 23 per cent growth in the market during the first eight months, and commercial vehicle production rose by only 0.6 per cent, against a 17 per cent sales growth.

"It would be foolhardy of me, or anybody from Britain, to understate the damage which has been done to our industry over the past five years by low productivity and poor industrial relations which even now are showing only marginal improvement."

The British industry still earned a massive surplus on its exports. Barely a car or commercial vehicle maker in the world produced a vehicle which has not any British original equipment or British licensed equipment, said Sir Barrie.

Marks enter music field

BY PAUL TAYLOR

MARKS AND SPENCER is to enter the music field on Monday when a range of specially made records and cassettes go on sale in 20 selected stores.

If successful the scheme, with 44 recordings by star names, priced at £2.50, will be extended to more of the company's 253 stores.

The trial range spans the musical spectrum from rock, pop and jazz to classical. The company emphasises that the records and cassettes "are not a budget range."

They have been made exclusively for the company by leading record manufacturers such as CBS, Pye, Phonogram and Polydor.

To promote the new range Marks is building music centres in the 20 selected stores. As with its other goods, any recording with an unbroken seal can be returned for a refund.

The music business is not a new departure for Marks. Fifty years ago the stores had a steady turnover in both gramophone records and sheet music.

Its decision to re-enter the field is expected to put more pressure on some specialist record stores which have already suffered from other multiple stores moving in and offering substantial discounts.

The stores selected include five in London.

The company said that there was no fixed period for the trial run. It would introduce Christmas carols to the range.

Eadie for U.S.

MR. ALEX EADIE, the Minister with special responsibility for the coal industry at the Department of Energy, will visit Canada and the U.S. on Sunday for five days.

Tradition break by Sun Alliance

By Eric Short

SUN ALLIANCE and London Insurance is lifting the basic premium rates on contents insurance, thereby breaking with a tradition going back over 50 years.

The basic premium rate for contents on an indemnity basis, under which claims are based on the current value of the items concerned, has been 25p per cent (five shillings in pre-decimal currency) since the early 1920s.

Now, Sun Alliance has increased this basic rate to 30p per cent for new contracts from November 1, though it is not changing the rate at present for existing policies.

The company is also lifting the basic rate on its replacement contract, where the claim value is based on the cost of a new item, from 30p per cent to 35p per cent. Again the 30p rate has been standard since the "new for old" contracts were introduced over a decade ago.

These are just basic rates applicable to the lowest rated areas and all other rates charged by the company stem from them. The company is completely restructuring its rating system and much higher increases are being made for other districts.

For instance, in the highest rating areas of central and north-west London, the indemnity rate is increased from 50p to 75p per cent and the replacement rate from 55p to 80p per cent.

Sun Alliance recorded an underwriting loss of £10.5m in the first six months of this year, much of it coming from a poor experience on its UK household account.

European Ferries places £50m order in Germany

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

EUROPEAN FERRIES confirmed yesterday that a £50m order for three cross-Channel ferries is to be placed with a German shipyard rather than a British one.

Mr. Keith Wickenden, chairman of the UK-based ferry company, said: "In June, we stated that the order would be placed in Britain, provided that we received a competitive price tender and delivery date from British shipbuilders.

"In the event, neither of our requirements was met and we feel it is a pity that the Government was not able to support British shipbuilders to enable them to quote competively to a British company as it did recently to Polish shipowners."

The price from British Shipbuilders, the state-owned corporation, was apparently about 10 per cent higher than the bid from the German yard, Schichau Unterweser of Bremerhaven.

However, this difference conceals the fact that the British tender also benefited from a large subsidy, probably about £12m, from the Government's Shipbuilding Intervention fund, creating a 35 per cent gap between the German and British quotes.

Although Germany officially has no equivalent to Britain's subsidy fund, it appears that the yard has been permitted to take the contract at a substantial loss on the basis of an understanding with the German Government that the resultant losses will be covered. German shipyards have talked frequently about the need to buy in work in this way.

British Shipbuilders was also unable to meet an extremely tight delivery programme, which involves launching the first ship next summer and commissioning all three vessels on the Dover-Calais route during 1980.

Shortages

Cammell Laird of Liverpool was British Shipbuilders' preferred yard for the order, but having recently started work on a Navy frigate, it apparently could not guarantee the European Ferries' deadlines.

Although some British Shipbuilders' yards are facing acute shortages of work and imminent redundancies, their position is stronger as a whole than the German yards, where orders taken so far for next year will account for only one third of the industry's capacity.

Yesterday's announcement may also have political reverberations because union leaders in shipbuilding are committed to increasing the pressure on British owners to order their ships from British yards. As prospective Conservative Parliamentary candidate for Dorking, Mr. Wickenden can expect strong attacks from these quarters.

Each ferry will be able to carry 1,300 passengers and 350 cars or an equivalent amount of lorries. Although Mr. Wickenden has spoken of a total ordering programme of seven ships costing £100m, the company has no immediate plans to place further contracts.

HOME NEWS

Tolley takes over from Sir Derek as management chief

FINANCIAL TIMES REPORTER

MR LESLIE TOLLEY takes over the chairmanship of the British Institute of Management at its annual meeting today. He succeeds Sir Derek Ezra, chairman of the National Coal Board, who has been chairman of the institute's council for two years.

Mr. Tolley, aged 64, is chairman of Renold, the Midlands engineering company which specialises in power transmission equipment. He is also chairman of Fodens, the truck makers and Francis Shaw, the plastics and rubber company in which the National Enterprise Board has a 30 per cent equity stake.

He left school at 16 to become an apprentice production engineer at Morris Motors in Oxford, and had become one of the company's youngest production managers by the age of 25. When he left the company in 1962, he was general manager of the Nuffield body division in Birmingham.

His present company, formerly known as Renold Chain, appointed him works director. The company was then run by Sir Charles Renold, the institute's first chairman. Mr. Tolley became managing director in 1962 and chairman in 1972. He will remain chairman of the institute for two years.

Taxation 'crushing British enterprise'

FINANCIAL TIMES REPORTER

A STRONG attack on Britain as an example of a society which has deliberately reduced the *scope for the entrepreneur* was made yesterday by Sir James Goldsmith, chairman of Cavenham, the multinational food group.

"Confiscatory taxation and the elimination of incentive have progressively destroyed the existing entrepreneurial sector and discouraged the creation of new enterprise," he told the 26th congress of the International Chamber of Commerce in Florida.

Bureaucratic appropriation of a man's natural responsibilities from the cradle to the coffin had replaced the spirit of proud and independent achievement "with the sickly sweet atmosphere of a rotting cocoon.

"It is no coincidence that in the British steel industry the output per man is less than a quarter of its American counterpart, and about one-sixth of that in Japan.

"Nor in the car industry, where with the same equipment, output per man is about half that achieved in other European countries."

British industry had become a cripple and in the past 25 years Britain's share of world trade had been reduced from 25 per cent to 8 per cent.

"The income of the average Englishman, not long ago among the highest in the world, has dropped behind that of Iceland and Finland and is being caught up by Spain and Greece.

"The overwhelming majority in Britain agree with much of what I have said. They are ready to embark on a fundamental counter-revolution which, if successful, will lead Britain back to greatness."

● FT CONFERENCE ON INTERNATIONAL TRANSPORT

Road and rail urged to attack congestion

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

AN APPEAL FOR road transport and railway interests to unite in a common campaign for investment to remove urban congestion came yesterday from Mr. Peter Thompson, chief executive of the National Freight Corporation.

He told the international transport conference organised by the Chartered Institute of Transport and the Financial Times that this area of spending had been neglected by Government. It was in the interests of all transport organisation to see something done about it.

Even where goods were trunked by rail, they had to be delivered to homes, factories and shops by lorry.

The railways ought not to be fighting against an increase in maximum lorry weights in the UK, as was currently proposed within the EEC, he said.

Freightliners, the container-carrying company taken over by British Rail from the freight corporation in August, was handicapped considerably by the existing 32-ton weight restriction, which meant a 20 per cent loss in payload on the UK leg of an international journey.

"An export container travelling, say, 7,000 miles to its final destination may be moved at a 20 per cent higher cost throughout simply because of the first 50 miles of the journey in the UK."

Mr. Thompson dismissed as sterile the argument about the relative contribution of road and rail freight industries towards their infrastructure costs.

Rail was usually competitive with road only for distances of more than 200 miles and these journeys accounted for only 2.8 per cent of all present road freight movements, or 16.7 per cent of ton-kilometres.

Even if half of this business were transferred to rail, it would reduce the total goods vehicle fleet by only 1.2 per cent and therefore have little environmental benefit.

British Rail's argument that the heaviest lorries should pay an extra £500 a year in tax to meet their full infrastructure costs would have, if successful, an insignificant effect on road hauliers' costs and therefore do little to improve rail freight's competitiveness.

It would increase the average cost for moving a ton of freight in a 32-ton lorry by only 12.3p on an existing average of £5.80.

There would be a continued growth in roll-on roll-off freight business at the expense of containerised movement. Within the next decade, he predicted, there would be ro-ro services on the North Atlantic.

Road haulage remained the most efficient way of moving the majority of the nation's goods, Mr. Thomson said, and it was not worth distorting the costs of all road transport to achieve a marginal transfer to rail.

The lorry, meanwhile, had to become less environmentally intrusive, but Government would have to balance the cost of this objective because it would inevitably involve higher retail prices.

Praise

Earlier, Sir Peter Parker, British Rail chairman, praised Freighliners for its role in combining road and rail transport where each was more efficient.

There was need for the different kinds of transport to work together to meet the needs of passengers and of industry.

For the London commuter services, where standards had fallen to unacceptable levels, British Rail wanted Government backing for a charter with commitments to future spending and levels of service.

On freight, Sir Peter spoke in favour of establishing a "little Neddy" committee for surface transport—a possibility raised in last year's Transport White Paper. Not enough weight had been given to transport in drawing up the national industrial strategy.

His paper to the conference should be taken as "a declaration of interdependence" with the other transport industries in meeting the nation's needs, he said.

A view on the most troubled sector of the transport industries, shipping, came from Mr. Roald P. Aukner, chairman of the Oslo-based Aukner and Neuman consultancy company and also a director of European Ferries.

Shipping companies increasingly would have to find ways of integrating, operationally and even financially, with other shipowners and with land-based parts of the transport chain, he said.

It was vital that shipowners continued through a period of deep financial crisis to look forward and to be decisive and creative. It would show a positive state of mind "appealing to both creditors and financial institutions."

Hugh Routledge

Mr. Peter Thompson, National Freight Corporation's chief executive (left) talking to Sir Humphrey Browne, chairman of British Transport Docks Board (centre) and Mr. Asad Y Nasr, chairman of Middle East Airlines

Larger operational units offered a more secure position in the market, a wider spread of trading interests, stronger financial support, diffusion of risk and better prospects for developing management and specialist skills.

Mr. Asad Y. Nasr, chairman of Middle East Airlines, warned against the rush for large-capacity aircraft based on over-simplistic assumptions about productivity gains.

He presented figures to show that obvious gains in crew costs and navigation equipment could be offset easily by the disadvantages of uneven workload on the ground and reduced frequency of service. The trend by manufacturers towards smaller aircraft was "a healthy and encouraging sign."

The afternoon session was taken up with papers on manpower productivity.

Prof. Karl M. Ruppenthal, director of the Centre for Transportation Studies at the University of British Columbia, pointed to falling productivity in Canadian airlines.

He said the decline, to the 1962 level, had set in in 1970. It had resulted from over-generous pay settlements during the period of rising productivity, problems of State-owned industry responding to labour demands and tougher working rules by employees seeking extra remuneration for working unsocial hours.

Mr. David Bowick, vice-chairman (rail) of British Rail, said that the key issue was to motivate employees by stimulating their identification with the company's objectives.

British Rail had had outstanding success in implementing some changes and much less satisfactory results in other cases.

The search for an industry consensus in tackling major issues, required conceptual thinking from employees. One of the problems was the UK trade unions were "heavy on negotiating skills but light on problem-solving skills."

CONTRACTS

Murphy Brothers wins £7m opencast order

THE NATIONAL COAL BOARD has awarded a contract worth about £7m to Murphy Brothers to work an opencast coal site at Tredeg, near Ystradgynlais in Powys, South Wales.

The board has estimated that the site will yield 355,000 tonnes of anthracite from Tredeg. Anthracite is now exceptionally scarce, especially on the domestic market.

★

MARCONI COMMUNICATION SYSTEMS, a GEC - Marconi Electronics company, has received an order from Narmimo International for the supply of two 30kW B6034 transmitters, together with programme input equipment, an antenna system, vhf link and spares for installation in Sierra Leone.

★

RELIANCE-MERCURY, of Halifax, Yorkshire, has won new orders worth £273,000 for its Haulmajor Mark 2 heavy duty dockyard tractor from Iran and Saudi Arabia.

★

The Pertec Division of PERTEC COMPUTER CORPORATION (PCC) has been awarded a seven-year contract by Digital Equipment Corporation (DEC) for the production of peripheral memory equipment, including Pertec magnetic media drives, spare parts and service. It is estimated that equipment valued in excess of $10m will be delivered in the first full year of production. Delivery is scheduled to begin in October, 1978.

★

A £200,000 order has been placed by the Ministry of Defence with STANDARD TELEPHONES AND CABLES for type 1250 electronic telephone exchanges, to be installed on Royal Naval vessels. Made by the special systems unit of STC's transmission division, Footscray, Kent, the complete exchange system is able to withstand the shock force of underwater explosions and ships' vibrations. The system underwent two years' operational evaluation trials before being accepted by the Admiralty for use on surface ships and submarines. At sea the fully automatic and unmanned telephone system is used for communication between cabins and compartments. In port it is also used for direct communications with naval bases and dockyards, and can be connected into private and public telephone networks.

★

The European Space Agency (ESA) has awarded MARCOL COMPUTER SERVICES a service contract worth nearly £1m for the production of data processing software at its operations centre (ESOC) in Darmstadt, West Germany. The service contract, which is intended to replace a number of "technical assistance" contracts, begins now and will involve between 6 and 16 Marcol staff for a period of three years. One of the initial tasks is maintenance of satellite ground station software along with development of new software.

★

GEC-ELLIOTT PROCESS AUTOMATION has an order from the Head Wrightson Machine Company, Middlesbrough, in connection with a tinning line which they are supplying to Hemijska Industrija Zorka, Sabac, Jugoslavia. The contract, valued at £100,000, is for a GEC 2050 / MARCH 4 computer system for automatically recording the quality of the tinplate produced.

★

A £600,000 order for noise control equipment has been placed with ACOUSTIC ENGINEERS MONITON TECHNIC by Ingersoll Rand. Destined for oil production platforms in the North Sea Valhall field, the order comprises six acoustic enclosures with associated inlet and exhaust silencers to accommodate turbine driven compressor equipment. The enclosures are designed to give a noise level of 85 dBa at 1 metre.

★

Further contracts have been awarded to the comfort control group of LANDIS AND GYR, North Acton, London, to supply and install heating and ventilating controls and panels at Courage's £65m Berkshire Brewery. These involve installation of heating controls in the energy centre, and the supply and installation of pneumatic controls and panels in the welfare block and brew house. This brings the total value of work undertaken by Landis and Gyr at the new brewery to £200,000.

★

IRISH BRIDGE, Ulster-based engineering concern, engaged in North Sea oil work, has been awarded a £1m contract by Chevron for pipe work on the Ninian central production platform.

TGWU members told to black Ford work

BY ALAN PIKE, LABOUR CORRESPONDENT

THE TRANSPORT and General Workers' Union London regional office yesterday instructed all members to black work connected with Ford, where the national strike by 57,000 manual workers is now in its second week.

This move increases efforts by the unions to impose the most rigid possible sanctions on the company. Movements of completed cars from factories and imported vehicles at ports have already been halted by sympathetic action from delivery drivers and dockers.

It is expected that the TGWU will tomorrow join other unions and declare the Ford strike official.

Shop stewards and officials representing the 24,500 workers at the company's Dagenham complex met yesterday to review the progress of the strike. A topic of discussion was the possible impact on Ford's negotiating position of Monday's rejection at the Labour Party Conference of the 5 per cent pay guidelines.

While Ford will clearly watch carefully the outcome of discussions between TUC leaders and the Government which, it is expected, will follow the conference, the company apparently has no immediate plans to seek further talks with the unions.

Last week union negotiators turned down a suggestion that there should be exploratory talks and said there was no point in meeting the company until it moved from the 5 per cent limit.

Nick Garnett writes: The first formal talks between the TGWU and the oil companies on this year's tanker drivers' pay claim got underway this week with negotiations at Shell.

Apart from responding to the drivers' 30-40 per cent claim, Shell, BP and Texaco are also involved in joint management-union talks on productivity. Productivity proposals for Shell drivers, based on greater flexibility, shift and manning changes, appear to be the most advanced.

Although the company's shop stewards have still to discuss the proposals, some senior stewards have unofficially placed a price of £8,500-a-year basic salary, including an element for the coming pay settlement, on the proposals.

Overtime

Shop stewards said yesterday that the drivers might be more wary of taking industrial action on the next pay round because of the repercussions of industrial action taken during their Phase Three negotiations.

The growth of small distribution companies supplied by the major oil companies during the drivers' work-to-rule earlier this year had had a lasting effect on cutting the amount of overtime available to tanker men at the main companies.

Midlands unions to step up pay protest

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

TRADE UNIONS in the West Midlands have called a conference for Saturday to step up the campaign against the Government's 5 per cent pay guidelines.

Shop stewards throughout the region have been invited to the gathering, which has the official support of 12 trade unions.

Chairman is Mr. Brian Mathers, regional secretary of the Transport and General Workers' Union and chairman of the regional TUC.

The speakers include Mr. Sid Tierney, president of the Union of Shop, Distributive and Allied Workers, and Mr. Bob Wright, assistant general secretary of the Amalgamated Union of Engineering Workers.

The conference is a response to the growing feeling on the shop floor against pay restraint, according to one of the organisers, Mr. Roger Poole, assistant divisional officer of the National Union of Public Employees.

He said the determination of Midlands unions to fight pay restraint and press for a 35-hour week was demonstrated by the official backing given to the conference.

"We believe the 5 per cent pay policy would act directly against the interests of working-class people, and we intend to take whatever action is necessary to ensure its defeat."

Mr. Poole claimed the conference would provide a launching pad for a campaign of "considerable significance" to the trade union movement. The aim was to co-ordinate pay claims. Shop stewards would be urged not to settle within the 5 per cent limit.

"For members to settle at that sort of level would merely undermine the efforts of others," he said.

Supported

He also underlined the need for unions to campaign throughout industry for the 35-hour week. "We must keep in line. It would be farcial if some employers conceded the demand and others did not."

The conference organisers plan to continue the campaign through the regional TUC and local trades councils. A declaration expected to be supported by the conference calls for a complete return to normal collective bargaining and the early introduction of the 35-hour week.

Mr. Poole said the shorter working week would not in itself cure unemployment, but was part of a whole package of economic measures supported by the TUC to create new jobs.

Hospitals shutdown attacked by union

BY OUR LABOUR STAFF

A UNION leader in the two-week-old industrial action by Britain's 3,500 hospital works supervisors accused health authorities yesterday of "over-reacting" by closing hospitals.

Mr. Ray Harris, assistant organiser in the National and Local Government Officers' Association, which claims to represent about 70 per cent of the officers involved, said that the industrial action was aimed at building facilities rather than patient care.

The works officers, who are restricting repairs to hospital machinery such as in laundries and sterile supplies departments in their pay differentials dispute, were said to be allowing emergency services to continue.

By announcing closures, Mr. Harris said, the officers were being "thrown into the political arena," with the Government apparently prepared to create a "climate of deterioration in callous disregard for National Health Service patients."

The impact of the action continued to build up yesterday with a warning that major hospitals serving 250,000 people in Essex could start to shut next week.

Mr. John Webb, district administrator of Essex Area Health Authority, said two of the three main hospitals and five smaller ones in the district would have to close if the works officers carried out their threat to intensify their action.

"This is the most series crisis we have faced. The effects will be catastrophic and deprice the population of a recognisable hospital service." Meanwhile, it was costing an extra £18,000 a week for hospitals to buy essential disposable linen and to use private laundries.

Other areas, including Birmingham, have already warned of the mounting impact of the industrial action.

The five unions involved are considering whether to ask for further intevention in the dispute by Mr. David Ennals, Secretary for Social Services.

They are pressing for a correction to a differentials anomaly in a pay restructuring proposal, but were told by Mr. Ennals in the first week of industrial action that the Government was unlikely to allow any improvement in the offer because of pay policy.

EEC 'red tape' charge

BY OUR LABOUR STAFF

THE EUROPEAN Social Fund, heralded as one of the prime advtanges to Britain in joining the EEC, has proved a great disappointment to many private companies, a leading industrial relations magazine says today.

Applications to the fund, which provides grants for the training and retraining of workers has been riddled with red tape, claims the European Industrial Relations Review.

The fund had allocated more than £236m to Britain but most of this has been used to prop up state-run schemes. Only one U.K. company has received any social fund aid from an application based on the Temporary Employment Subsidy.

The magazine says the main problem with British applications to the fund is a conflict between the rules of the fund and those of the subsidy.

Social fund money is allocated only to named workers in a training scheme rather than to the number of jobs they occupy. Employment subsidy applies to the number of jobs saved.

Grimsby fish ban stays

A TWO-HOUR meeting yesterday between dockside porters, merchants and trawler owners failed to lift Grimsby's ban on Icelandic fish.

The ban, imposed in January, 1976, when British trawlers were thrown out of Iceland's 200-mile limit, has been lifted at Hull and Fleetwood.

Only 75 of the 220 porters attended the meeting and now it is likely that a dockside ballot will be held on the question.

Porters insist that by keeping the ban some concessions will be forced out of Iceland for Grimsby ships. However, Mr. John Olgeirsson, Iceland's consul in Hull, has repeatedly said this is not possible.

Steel staff strike over cuts in research

By Our Labour Staff

ABOUT 800 OF British Steel Corporation's senior and middle management staff will hold a one-day strike today to protest against cuts in research and development operations.

The managers, members of the Steel Industry Management Association, work in laboratories at Teesside, Sheffield, Shotwick, South Wales, Motherwell and London. They claim the "indiscriminate and arbitrary" run-down of research and development has cut staff by 2,300 over three years.

The association, which is officially supporting the stoppage, fears new plans for re-organising the corporation will break up more research teams.

It feels the British Steel Board ought to reduce process costs, and improve product quality, plant performance and product development. The aim of such a strategy would be to halt the decline in the corporation's home market share, increase for eign competitiveness and open up new markets.

Ordnance hit

FOUR HUNDRED inspectors, whose two-week pay strike has led to 500 men being laid off at the Government's Royal Ordnance factory at Birtley, Tyne and Wear, voted yesterday to continue the stoppage.

Employers move to stave off fresh action by firemen

BY PAULINE CLARK, LABOUR STAFF

LOCAL AUTHORITY employers met firemen's leaders yesterday in what appeared a last-minute effort to ward off any decision for renewed militant action by firemen over the 42-hour week at their annual conference in Bridlington next week.

In a flying visit to Blackpool, where Mr. Terry Parry, general secretary of the Fire Brigades Union, and Mr. Wilf Barber, the president, are attending the Labour Party Conference, the employers' delegation presented detailed proposals for introducing the shorter week.

The delegation was led by Mr. Brian Rusbridge, secretary of the Local Authority Conditions of Service Advisory Board, which has delayed so far setting a date for a cut in the 48-hour week because it wants union agreement on improved efficiency and cost-effectiveness proposals.

These have been a major source of contention between the union and employers since the 42-hour week was promised as part of the settlement of the firemen's national strike last winter.

Hours problem

The reaction of the 300 delegates at their conference this year to delays or indecision on this issue, as well as over the Government's undertakings on their pay, is a matter of some concern.

Any recommendation by the union executive for more time to sort out the details of the scheme would not necessarily wear well with a membership which voted heavily last year for a strike, against the advice of its leaders.

On the 42-hour week, the FBU executive still appears to have little on offer.

The union has warned of unilateral action on November 7 for implementation of the cut in hours, but despite the recent independent recommendation by Prof. John Woods, chairman of the Central Arbitration Committee, that a date be jointly set, the employers have still not agreed on one.

Developments on the pay issue may appear unsatisfactory to the conference.

Under last winter's settlement the firemen are guaranteed a rise of about £4, half the difference between their wage levels and those of the upper quartile, the point three-quarters of the way up the industrial earnings table in the official earnings survey of last April.

But it was also agreed that this figure should be uprated to cover pay movements between April and November, and the calculations have been delayed.

With the firemen likely next week to press to know exactly the value of the formula that they accepted at the end of their strike, the union will almost certainly suggest a recalled delegate conference in November to consider any progress made by then.

The union will face pressure for introduction of the shorter week on November 7 from delegates of what the union estimates to be about half the 63 brigades which have already recruited more firemen in preparation.

Neglect of duty pair lose £50 fines plea

TWO FIREMEN WHO failed to carry out a stand-by shift, because they claimed they were being victimised, lost their appeal to Nottinghamshire County Council yesterday, against £50 fines for neglect of duty.

They were found guilty earlier this year by the council's disciplinary panel. The men claimed they were victimised for working through the firemen's national strike.

The men — members of the British Fire Services Association — were stationed at West Bridgford, Nottingham and were asked to do a stand-by shift at the nearby Stockhill fire station.

They claimed that because they had not joined the strike, they were refused refreshments at Stockhill and returned to West Bridgford.

Ballots on more action by social workers

By Our Labour Staff

ACTION by social workers for local bargaining rights threatened to spread yesterday as the National and Local Government Officers' Association approved ballots on strike action in four more local authority areas.

The union's emergency committee, which has already made strikes official in Newcaste upon Tyne and in the London Boroughs of Tower Hamlets and Southwark, gave the go-ahead for strike ballots in Bradford, Leeds, Liverpool and the London Borough of Wandsworth.

Ballots on a work-to-rule have been approved for Surrey and for Cheshire, where a strike is proposed from December 1 if special sanctions are not effective by then.

Last week the union reiterated its full support for the social workers' strike, and Mr. Geoffrey Drain, general secretary, announced further plans for visiting the picket lines.

It demands a breakaway from the present national negotiating structure on pay and conditions because the social workers believe their special responsibilities in areas of greater social need would be better recognised in negotiations with local employers.

LABOUR AT BLACKPOOL



Oratorical style of leadership: Callaghan wins cheers from delegates after his defeat on wage restraint

Inflation still Callaghan's main enemy

Report by John Hunt, Ivor Owen, Elinor Goodman, and Philip Rawstorne. Pictures by Terry Kirk.

THE Government will carry out its "inescapable obligation" to control inflation despite the rejection of its 5 per cent pay policy, the Prime Minister said.

Mr. Callaghan said that he and Mr Denis Healey, Chancellor, were determined to prevent escalation of inflation by whatever measures were at hand, including monetary and fiscal action if necessary.

This would be done "relying as much as we can on the responsibility of the trade unions and upon our fixed policy, which we will try and interpret as easily as possible within the limits."

He admitted that the rejection of the 5 per cent limit by the conference on the previous day had been a defeat for the Government but insisted that the level of pay did have a direct impact on prices.

Any big wage increases in excess of 5 per cent would have an effect on company liquidity, investment and the level of unemployment.

The Prime Minister said that Monday's debate had concentrated on pay levels but almost no reference had been made by speakers to inflation. This ignored the obligation of the Government to do all it could to control inflation.

Estimates

The fact that inflation was now down to single figures was partly the result of the improved value of the pound and of lower import prices. There would have been a greater impact on the cost of living index if we had had to rely on wage controls alone.

He warned that the Government's best estimate was that wages in excess of 5 per cent in the coming year were likely to carry inflation into double figures, but conference had given no guidance as to how the Government should react to such a situation.

Other countries, such as Germany, were making settlements at or below 5 per cent. Wage bargainers in Britain had to consider the effect that their claims would have on international competitiveness.

He believed trade union leaders were sincere when they said that they were going to bargain responsibly in the next 12 months.

"Unfortunately, there is no agreed arithmetical definition of the word responsible when you are making pay claims. I have never yet known a union put in pay claims which it thought was irresponsible.

"Supposing all these responsible pay claims in the end add up to inflation moving back into double figures, with all that implies.

"Do we desert our responsibility and determination to keep down inflation? Does the Government stand by paralysed and helpless?

"The Government's inescapable responsibility is to keep down inflation—not against anybody but in the interests of the whole of the people of this country.

"I would like to make this clear. If yesterday's decision resulted in a weakening of the impulse of pay policy and an aid in helping to keep inflation in single figures, if as a result inflation starts to move up, then the Government will take offsetting action to keep inflation down through monetary and fiscal measures.

Responsible

"That is our responsibility. It is necessary that the country should know that the Government accepts that responsibility. We shall not seek to evade it and no one can relieve us of it."

The Government had tried to get the support of the trade union movement for the 5 per cent wage limit—"but we have failed this year—we have not got it."

Nevertheless, he told delegates that they still had a major contribution to make. He remained hopeful that pay policy would have a part to play through a responsible level of settlements.

If the Chancellor did keep a firm control of money supply while wages were rising by more than 5 per cent, there would be an impact on company liquidity and on the level of wages that companies could pay.

This would affect the number of employees kept in work.

"I don't want to follow this path," he told the conference. "But until you tell me to go back on my policy of keeping down inflation I regard that as my total responsibility."

He urged the trade unions and party members to concentrate their attention on the question of helping the lower paid. This was not just a matter to be left to the Cabinet.

Flexibility

Mr. Callaghan emphasised that he was in favour of flexibility in wages but flexibility was a two-way business.

"I am ready and anxious to take up with the trade unions at any time the long-term approach to this problem to see how we are going to avoid in future the difficulties that have arisen in the course of the current year."

The Government had to use any means it could to achieve its Socialist ends—and he did not believe that wages could be left out of that calculation.

"Let us have more talks. I am ready to make an approach myself if the unions agree to take it up and see where we move from here."

In the longer term, he wished to find a better way of deciding the issue of pay levels. The power of the organised worker in society made this necessary when single groups had the ability to disrupt the economy.

Further scheme to help jobless

THE Government is preparing a scheme to help the long-term unemployed similar to the one already introduced for school leavers and young people.

Mr Callaghan said that every one of the 500,000 long-term unemployed was a standing reproach to society. Already, the Government had ensured that every school leaver would have a job, a training place or other work opportunity.

"Now we intend to try something even more difficult—preparation of a similar scheme for the long-term unemployed."

He has asked the appropriate Ministers and the agencies involved to undertake an urgent study to produce a practical scheme.

The object would be to offer an "assurance of help to each of them," by guaranteeing a job, or an opportunity to train or retrain.

"In this way, we could reduce drastically involuntary long-term unemployment and, as far as possible, put a time limit on joblessness."

Without going into detail, Mr. Callaghan also promised that the next Labour Government would, if necessary, take further measures to control prices.

"We promise to step up the attack on prices. The next Labour Government will further strengthen the powers of the Price Commission if it is shown to need them."

Turning to the session of Parliament which starts on November 1, he said the Government would bring forward controversial measures to enable people to participate more in decision-making.

The new Companies Bill will give employees the right to much more information about their employers' affairs. There will be legislation giving teachers and parents more influence in the way schools are run. Council house tenants would be given greater control over their homes.

The Royal Commission on the Health Service would be reporting in a few months and its recommendations would show the Government how to undo much of the damage caused by the Tory reorganisation.

This would make management of the health service more responsive to patients and to the people who work in it.

The Prime Minister laid down four conditions for the success of the next Labour Government.

The economic gains of recent years must not be thrown away; the benefits of North Sea oil must be used to modernise industry and provide new jobs; Britain must become more productive; and the country must take advantage of new technology while guarding against its ill-effects.

Today's agenda

Education

European Economic Community

Racialism

Nuclear weapons

Electoral reform

NEC document on local government reform in England

Call to halt indirect tax rises for study

DEMANDS FOR a ban on any increase in indirect taxation were ignored by **Mr. Robert Sheldon,** Financial Secretary to the Treasury, in a speech from the rostrum.

The dangers in distorting the balance between direct and indirect taxation were underlined from the platform by **Mr. John Cartwright** on behalf of the NEC.

To avoid a vote, and almost certain defeat, the sponsors of a resolution expressing opposition to any increase in VAT or other indirect taxes agreed to remit it to the NEC for consideration.

Mr. Cartwright promised that it would be taken into account as part of the wider study of taxation policy already being undertaken by the NEC. This would be the subject of a report to next year's conference.

He acknowledged the long-held suspicions of the Labour movement about indirect taxes, springing from the belief that they bore most harshly on the lowest paid.

But he stressed that total opposition to any increase would rule out a rise in VAT on luxury items, or, should the need arise, any addition to petrol duty or even to the employers' National Insurance contribution.

Mr Cartwright emphasised that the question of the proper balance between direct and indirect taxation would be a major feature of the NEC report. It was being considered in great depth.

The attitude of the sponsors in agreeing to remit the resolution to the NEC was clearly influenced by the fact that an earlier resolution calling for reform of the tax structure to include the amalgamation of social security benefits and the introduction of tax relief for the cost of travel to and from work was decisively rejected on a show of hands.

Mr Sheldon, who highlighted the effect achieved by Government policies in narrowing the range of after-tax incomes, claimed that the Government had used taxation as a Socialist measure of redistribution, as well as for a fair sharing of the burden.

"I look forward [illegible] of that burden and further development of our Socialist taxation policy," he said.

Cheers for Labour's stylish loser

BY PHILIP RAWSTORNE

MR. JAMES CALLAGHAN came back from the humiliation of defeat with a skilful and stylish performance yesterday.

The Labour conference—fickle as ever in its ringside affections—applauded his resilience as wholehearted as it had previously rebuffed his rigidity.

Mr. Callaghan smiled ruefully as he rubbed his bruises. The delegates grinned back in apologetic sympathy.

The Prime Minister graciously conceded points to his trade union opponents. The encounter had been a lesson in democracy, he said. Without being masochistic he had even enjoyed some of it.

But if Mr. Callaghan came cautiously out of his corner, he did so with renewed determination to carry on the fight against inflation.

There was to be no yielding on that issue, he insisted. The rejection of the 5 per cent limit had been a serious setback. He sighed audibly again at the thought of losing a policy that had brought such success.

How was the Government to react, then, he asked. Conference had left him in no doubt about what should not be done but had been short on advice about the alternatives.

Was the Government to stand by, paralysed and helpless, and watch inflation rise again, he demanded. He answered his own question: "No."

The Government's "inescapable responsibility" was to keep inflation down. If it was to be denied the arm of pay restraint, it would have to use the other effective counters at its command.

"The Government will take offsetting action to get inflation down through monetary and fiscal measures. Let no one underestimate the impact they would have on pay and employment."

The Government would have to use, however reluctantly, whatever means were at hand. But in this crucial round, with a general election at stake, he gently suggested that the unions should not throw all the responsibility on the Government's shoulders.

Mr. Callaghan said he would be as flexible as he could. "We shall try to interpret it (the 5 per cent policy) as easily as possible within the limits laid down by the White Paper."

But, with a gravely prodding finger, he reminded the trade unions that they had undertaken a responsible approach to wage negotiations.

Mr. Callaghan said he was ready and anxious to discuss that responsibility with them. Some better way had to be found to resolve the issue of wage levels without resorting again to savage bare-knuckled clashes.

The trade union delegates appeared to be just as eager to forget the previous day's encounter.

In an atmosphere mellowing with compromise, the Prime Minister bounded optimistically forward towards the other challenges that would face his next Government.

Listening to the membership: Peter Shore (left), Stanley Orme, David Owen and Roy Mason

Shifting balance of power

THE balance of power in the Labour Party is shifting steadily towards the unions, a trade union delegate warned party conference in Blackpool yesterday.

Mr. John Edmonds, national industrial officer of the General and Municipal Workers Union, said that the balance between unions and constituency members was changing each year.

Individual membership could have fallen to only 300,000 which meant that unions made up an increasingly large proportion of the total.

At each election, the unions were being asked for more money.

"The party must recognise that union funds are limited. The political party that relies to this extent on trade union finance is extremely vulnerable and some would say unhealthy at its heart."

Mr. Edmonds was supporting a National Executive decision to set up an inquiry committee into party organisation.

But executive member Mr. Eric Heffer denied that there had been a great swing towards the unions. "We have got to have unity between the trade unions and constituency parties."

He added that once the general election was out of the way, the question of party organisation would be considered.

To loud applause, he warned union delegates: "It's no good just pouring money into party conference. We need people on the doorstep in election campaigns."

Referendum dates planned

THE referendums on devolution in Scotland and Wales are now expected to be held at the end of February or the beginning of March.

The exact date is to be announced in the Queen's Speech on November 1. Favourite dates are February 22, March 1 (St David's Day) or March 8.

The referendum decision [illegible] the [illegible] from Mr [illegible] [illegible] that if the Tories had been returned to [illegible] they would have held the referendum on March 22.

Militants lose fight for automatic reselection

LABOUR militants lost their long campaign to force all Labour MPs to submit to automatic mandatory reselection by their constituency parties by the comparatively narrow margin of 384,000 votes.

A compromise National Executive proposal introducing a two-stage reselection procedure—under which constituency parties satisfied with their MPs will be able to formally re-adopt them and thus opt out of a wider selection process—was carried by 4,081,000 votes to 2,519,000.

It was the second major reverse suffered by the militant Left—earlier attempts to give the conference a role in the election of the leader of the Labour Party were decisively rejected.

Instead, conference backed the status quo by allowing the election of the party leader to remain solely in the hands of the Parliamentary Labour Party.

But under a change in the party's constitution, the leader of the parliamentary party will in future automatically assume the mantle of the new formalised title of Leader of the Labour Party as well.

Mr. Joe Ashton, Labour MP for Bassetlaw, led the fight against automatic mandatory reselection in a speech which was alternatively cheered and jeered, as the bitterness which has marked this controversy showed itself on the conference floor.

He catalogued the pressures which are already imposed on Labour's 300 MPs—"eight died in the last year, some because they went to work when they were sick"—and warned that they would be placed in an impossible position by automatic mandatory reselection.

"This instant hire and fire is not going to do the party a lot of good."

Mr. Ashton spelt out the dilemma of Labour MPs. "We cannot win. If we vote for 5 per cent, we get kicked up the backside by the constituency and the unions. If we don't vote for it, we get kicked by the electorate and lose the job as well."

He forecast that the introduction of automatic mandatory reselection would lead to the biggest "night of the long knives and the biggest purge seen for many years."

He warned delegates who cheered this prophecy that some Labour MPs would not tamely accept the sack from their constituency parties but stand and fight.

He envisaged the emergence of disowned Labour MPs fighting as independent Labour candidates with the likelihood of a split vote in some 25 safe seats. This would prove disastrous.

The case for automatic mandatory re-selection was argued by Mr. Terry Hunt, Basingstoke, who maintained that it would make Labour MPs more accountable to the Labour Party.

As a result, he said, there would be a greater chance of the policies approved by conference actually being carried out in Parliament.

Under the two-tier compromise system proposed by the NEC, it would be necessary for constituency parties to pass a vote of no confidence in their sitting MP before gaining the opportunity of re-selection.

This had obvious dangers which would damage the individual concerned and the Labour Party.

Mr. Hunt contended that an automatic re-selection process would pose no threat to MPs who satisfied their constituencies. In such cases re-selection could be achieved on the basis of a short list of one.

Mikardo voted off executive

MR. IAN MIKARDO, a leading figure on the left wing of the Labour Party for more than a quarter of a century, and a former party chairman, was today ousted from Labour's policy-forming National Executive.

This was the surprise news when the results of the election for the executive next year were given to the Labour Party conference in Blackpool.

He was voted out of the constituency Labour Party section of the executive after four recounts which delayed the announcement of the results for two hours.

Mr Mikardo, MP for Bethnal Green and Bow, is the only person to have chaired the party conference on three occasions, in 1970 and in 1971 and for a special conference on the Common Market in that period.

Off with him goes Mr Jack Ashley, MP for Stoke-on-Trent South, who is regarded as a moderate.

The two newcomers in this section are Mr Dennis Skinner, MP for Bolsover, and Mr Neil Kinnock, MP for Bedwellty.

Dr David Owen, the Foreign Secretary, failed to get onto the Executive at his second attempt.

The only other person removed from the executive is Mr. John Cartwright, MP for Woolwich East, a moderate. He was replaced on the Socialist, Co-operative and other organisations group by Mr. Leslie Huckfield, Under-Secretary for Industry.

There were no changes in the women's section, but there are some replacements in the trade union section, caused by retirement.

Among the newcomers there were Mr. Doug Hoyle, president of the Association of Scientific, Technical and Managerial Staffs, who is MP for Nelson and Colne, and Mr. John Golding (Post Office Engineering Union), Under-Secretary for Employment.

As expected, Mr. Norman Atkinson, MP for Tottenham, again beat off the challenge of Mr. Eric Varley, Industry Secretary for the Party Treasurership.

Mr. Atkinson polled 4,023,000 votes compared with 3,715,000 last year. Mr Varley polled 2,677,000 against 2,743,000 last year.

Trade unions section

Russell Tuck (NUR) 5,763,000; Sam McCluskie (National Union of Seamen) 5,454,000; Tom Bradley (TSSA) 5,270,000; Alex Kitson (TGWU) 5,245,000; N. Hough (GMWU) 5,003,000; Alan Hadden (Boilermakers) 4,963,000; Fred Mulley (APEX) 4,576,000; J. G. Russell (AEUW) 4,571,000; Emlyn Williams (NUM) 4,243,000; John Golding (POEU) 3,940,000; Doug Hoyle (ASTMS) 3,435,000; Sydney Tierney (USDAW) 3,374,000.

Constituency Labour Parties section

Anthony Wedgwood Benn (Bristol South East) 460,000; Joan Lestor (Eton and Slough) 372,000; Eric Heffer (Walton) 349,000; Frank Allaun (Salford East) 319,000; Neil Kinnock (Bedwellty) 274,000; Dennis Skinner (Bolsover) 261,000; Barbara Castle (Blackburn) 260,000. Ian Mikardo (Bethnal Green and Bow) who was not elected, polled 258,000.

Socialist, Co-operative and other organisations' section

Les Huckfield (National Union of Labour and Socialist Clubs) 30,000.

Women's section

Judith Hart (Lanark) 5,442,000; Lena Jeger (Camden, Holborn and St. Pancras South) 5,407,000; Shirley Williams (Hertford and Stevenage) 4,580,000; Joan Maynard (Sheffield, Brightside) 4,085,000; and Renee Short (Wolverhampton North East) 3,222,000.

No funds to fight European elections

THE LABOUR Party will not be able to provide funds for its candidates to fight the elections to the European Parliament which are due to take place on June 7, Mr. Norman Atkinson, party treasurer, told conference.

There were cheers from some delegates as he said: "The national party cannot fund European candidates out of money we now know will be available.

"If the British General Election has not taken place by that time, certainly we will not tamper with this money. It will be put aside for the British elections. I have to say there will be no money for the European elections."

The treasurer, who is MP for Tottenham and an opponent of the EEC, said that the party had £330,000 in its General Election campaign fund. This was a long way short of what would be necessary. When the General Election came, Labour would need much more than £1m.

Mr. Atkinson said that the general party fund had gone into deficit in 1976 and in the 1977-1978 financial year, that deficit rose to £81,000.

"Without being hostage to fortune, our arithmetic this year suggests we shall experience an even bigger deficit in 1978. We anticipate something around £100,000 this year, and we will have to take some remedial action to put that right," he declared.

The trade union affiliation fee would rise to 28p this year and to 32p in 1980. This, however, would not solve the problem, unless more income was forthcoming from other sources.

Despite these difficulties, he looked forward with confidence to the coming year and thought the party would have the funds to mount a campaign which exceeded previous efforts.

Doubts on farmland Bill timing

THE INCREASING role of financial institutions in farming came under attack when conference reaffirmed commitments to take agricultural land into public ownership.

While the resolution, which also pressed for action to include the re-rating of agricultural land and buildings, envisaged legislation being introduced in the next Parliamentary session, Miss Joan Maynard, for the NEC, said that there was little prospect of this timetable being met.

But when a start was made on taking agricultural land into public ownership, she said, the large estates, which covered about 75 per cent of rented land, should be at the top of the list.

Mr. Gavin Strang, Parliamentary Secretary to the Ministry of Agriculture, reaffirmed the Labour Party's opposition to State farming. Land in public ownership would still be worked by tenant farmers, he pledged.

Mr. Strang deplored the fact that more farming was being undertaken by the big financial institutions themselves. He found this just as objectionable as State farming.

The Minister looked forward to the Northfield Committee, which is examining agricultural land ownership, producing a report leading to Socialist policies which were relevant, practical and decisive.

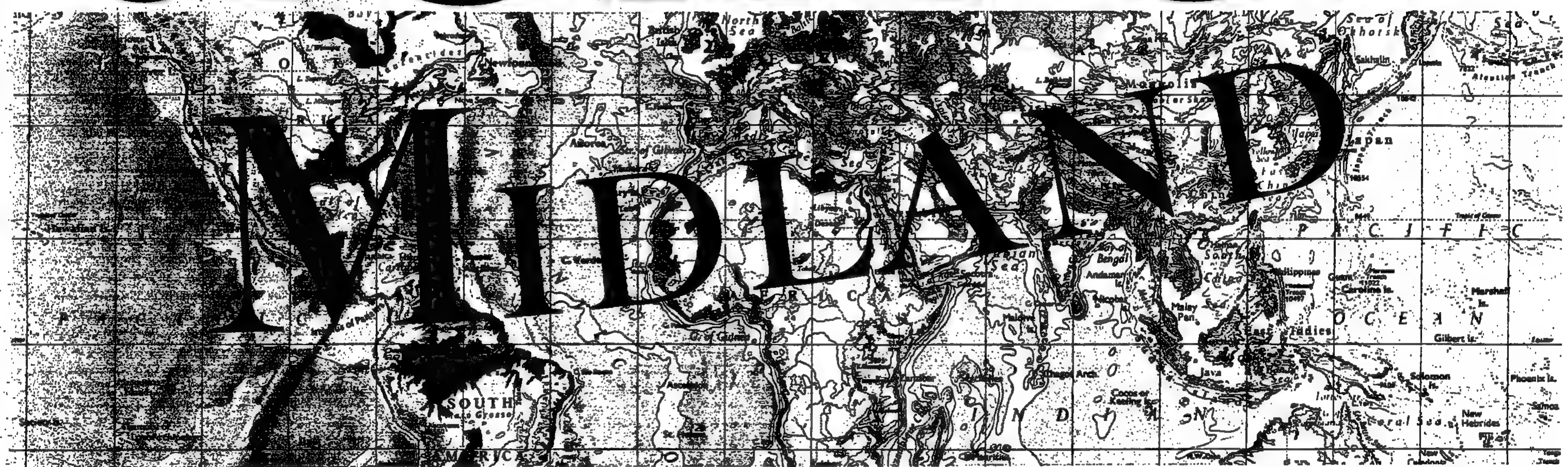
Miss Margaret Manning, Manchester Moss Side, urged that the public ownership of land, in view of the role being played by the financial institutions, should be linked to the nationalisation of the banks and the insurance companies.

Death grant

CONFERENCE gave overwhelming backing to a motion calling on the Government to increase what was described as the "derisory" £30 death grant.

The motion deplored the delay in raising the grant paid to next of kin, and called on the Government to increase it to a level sufficient to cover the cost of a normal funeral.

We deliver



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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● DATA PROCESSING

Getting the message to the right place

MAJOR UK contributions in research and development have been made to two products announced yesterday by IBM. A large British manufacturing effort will be involved.

Though very different in function, both products involve complex information handling routine, one being intended as a powerful message controller for the computer which has many extensions to equipment in distant offices or factories, and the other as a central unit for the production and distribution of the texts of all types that many an administrative office in a large company or group is required to originate.

The first and largest unit, the 8100, commits IBM more than ever before to distributed processing—that is to computer systems designed so that local terminals are given far more power than hitherto, taking many of the functions away from the large shared central processor. The 8100 contains a 64K random access memory which is now being produced by IBM.

This equipment takes over from the 3790, essentially driven from the centre. It allows work, including programming, to be carried out at points on the computer network that hitherto was reserved entirely for headquarter experts. It can work on its own as a local computer and it can be used to feed big problems into a much larger machine.

Many new components including two processors go into the 8100. These are powerful computers in their own right and come in a total of seven models, meeting the contention of some users that the company was not keeping up with the competition in the development of the so-called "front end" processor. This is a machine designed specifically to do an efficient housekeeping job with many types of peripherals of a communications network without interrupting the task of the large computer to which it is connected.

The immediate market is the installed base of medium to large IBM computers all over the world and a typical purchase price is about £140,000. It will be built at Havant for Europe the Middle East and Africa.

To strengthen its position in the word processing and office automation area, IBM Hursley has developed the 3730 with three functions: for use by office staff to prepare faultless documents, to store and retrieve such documents and to transfer these documents throughout a company.

It derives from some ten years work on word processing, often with adapted equipment, but it now contains units specifically designed for the office.

On its own, the 3730 can perform as a complete office document producer and storage centre. If it is connected to a larger IBM machine operated by the company, staff will benefit from centralised document storage.

An important component is the new text display terminal, the 3732 which has an anti-glare screen and a typewriter keyboard with ability to display up to 22 lines of 80 characters of text.

IBM calls this the typewriter of tomorrow since it gives the operator full control of screen layout in contrast to earlier models. But there is a major difference in that keying in the message "help" will give the operator, and particularly the novice, guidance on how to handle most problems.

The display will be made at Greenock and the controller at Havant, and a typical installation with 12 typing positions and five printers would cost around £86,000.

Data from echo sounders

ACTIF Electronics, hydrographic marketing associates of Bellings Production Techniques of Titchfield, Hants, is offering a data processing and interpretation service using the latter's computers.

The service which relies on newly-developed echo sounding equipment and a data logging unit incorporating cassette recording facilities, enables a 2-10 hour hyrographic survey to be dumped to disc store in less than three minutes, depending upon the survey. Subsequent processing is to customer requirements in hard copy, punched tape or cassette form.

The introduction of the service follows the development of a data logging unit capable of combining data from hydrographic positioning systems with digitised depth data from any type of echo sounder equipment.

Incorporating real time clock, cassette recording and high speed printer facilities enabling hard copy logging or continuous monitoring of recorded data, the portable DL 2 is characterised by power consumption as low as 1.5 amps at 12V dc.

Digital echo sounding facilities are provided by the new Actif AD 3 unit, a self-calibrating add-on equipment designed to operate in conjunction with any make of echo sounder. Using a crystal-controlled frequency synthesiser for velocity of sound setting, the AD 3 is capable of direct measurements in feet, metres or fathoms.

Commercial enquiries for the Data Processing and Translation Service as well as the DL2 and AD 3 equipments should be addressed to Actif Electronics, 2 Hawkhurst, Cobham, Surrey KT11 2QX (037-284 3643).

● DISPENSING

Provides correct dilution

CHEMICALS USED for cleaning can be accurately dispensed in the correct proportion with water with the aid of a device now being marketed by Mayvil Chemicals.

It is screwed into the bung hole of the container and is essentially a 3-way mixing valve which will provide chemical/water mix ratios from 1:6 to 1:160 at the turn of a set screw.

The device is connected to a mains water supply via a ½-inch diameter hose and the chemical fluid is sucked out of the drum through a plastics tube by a venturi in the proportioning head where it is diluted by the water. Output of diluted chemical is controlled by a valve. Mayvil Chemicals' headquarters is at Abbey Road, Sandbach, Cheshire CW11 9QZ (093 67 4014).

● BANKING AND RETAILING

Electrons cheaper than paper

ACCORDING to the manager of NCR's special systems division in San Diego, people in the U.S. — followed in due course by those in Europe — will soon be wondering if they are shopping via the bank, or banking via the shop.

The prediction is reference to the contention now building in the U.S. between the retail industry on the one hand and the banking and credit card organisations on the other. One facet of the argument is that if electronic devices at retail centres are to be connected to customers' bank accounts, who will pay for the necessary equipment and connections — retailers or bankers?

In general, of course, the retail chains are seeking to improve their financial services to their customers and control the "consumer dollar," while the banks are intent on scooping up as much retail business as possible before legislative controls of some kind are placed upon them.

Banking laws are complex in the U.S. but one of their effects is to prevent the large numbers of banks that exist from opening large numbers of branches—they are mostly restricted to one state.

To circumvent the legislation many of them are, or will be, seeking to open "electronic branches" at retail locations.

In general, progress in the U.S. in electronic funds transfer, or EFT, has not been as rapid as many Europeans might have expected: the multitude of banks will have to get together and a significant degree of consumer opposition overcome.

So far as point of sale (POS) transactions are concerned, NCR estimates that only about 5 per cent of the installed terminals in the U.S. are talking directly to banks — meaning of course that each time a customer buys something, his account is directly debited over communications lines to the bank's computer. Technically, inter-bank communication is no problem because the American Banking Association has standardised the magnetic stripe on the cards.

In some areas gas, electricity and phone bills can be paid using the touch-tone telephone press button in conjunction with a secret personal identity code. In addition, throughout the U.S. social security payments can be made electronically straight into pensioners' accounts.

The big problem for the banks, however, is the cheque, as it is in the UK. Over there, some 45bn cheques will be manipulated this year, a figure expected to rise to 63bn by 1986 without EFT, but which could drop to about 35bn if electronic transfer develops at the rate most experts expect.

NCR is currently looking at the cheque problem for Bank of America which operates in California. Little is being disclosed about the system apart from the proposition that each cheque at its point of entry into the banking system will be totally scanned and its complete electronic image will be stored and transmitted instead of the paper itself.

This development is of some importance when it is realised that (according to NCR) many banks throughout the world do not know how much it is costing them to process one cheque. According to the Federal Reserve Bank, the U.S. figure is 42c, so that the cost of doing the task by 1986 will be a staggering $27bn.

There is the prospect that such a system could reduce the cost to a few cents per cheque. Certainly, in the point of sale area it is felt that the advent of the microprocessor might yield a cost as low as 1 cent per transaction.

To meet these challenges, NCR has quietly set up its special systems division at Torrey Pines outside San Diego where 250 specialists are tackling the more significant areas likely to lead to further business for the company. According to manager Amnon Ben-Yehuda the unit is turning away system developments that will not have widespread application in the countries in which NCR operates.

Interestingly, the Bank of America cheque project, aptly named BANCR, could be seen as a deterrent to the encouragement of EFT, which would eliminate the cheque altogether.

The San Diego centre, recently shown to the Financial Times, has a number of large scale projects in hand, one of which is for Montgomery Ward, the country's third largest retail chain.

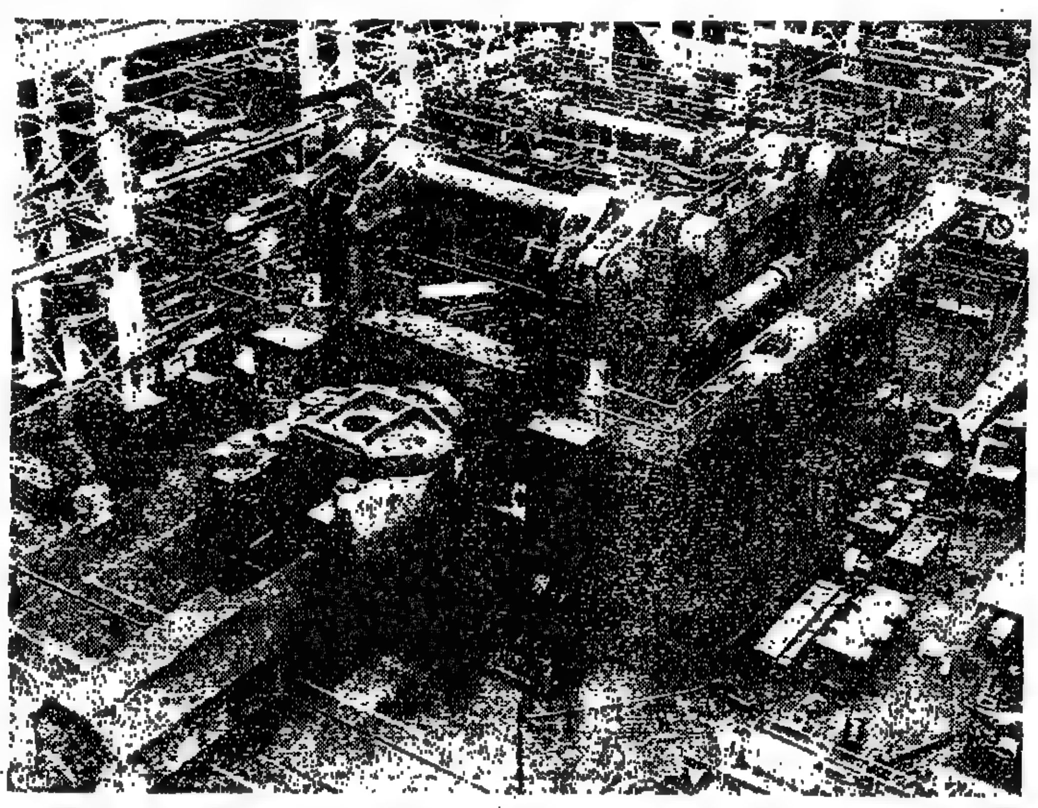
With IBM-based processing centres in Oakland (California), Chicago (Illinois), Baltimore (Maryland) and Kansas City (Kansas) with 700 stores and mail order offices, Montgomery Ward had begun to grow a sprawling network of communications lines which NCR has been in the process of streamlining using its new DCU, or data communications utility.

The result has been the rationalisation of a large number of lines working at different speeds, reduction of the number of network suppliers to two (NCR and the phone company) and considerable off-loading of the main-frames. The packet switched network now has 16 nodes (communication line junctions) driven by NCR minicomputers (the type 721 communications processor) serving an astonishing 20,000 terminals. The network is transparent in many respects and other equipment and applications can be easily added.

Of considerable interest to PTTs in Europe will be Datapac, the public data network of Bell Canada on which NCR continues to work. It is the first network to go live with X25, the CCITT packet network access protocol and is remarkable in that the existing telephone network is being largely ignored: separate copper and separate exchanges are being laid down.

NCR's Special Systems Division is at 4045 Sorrento Valley Blvd, San Diego, California 92121.

GEOFFREY CHARLISH



Tests are nearing completion on this 120-tonne forging manipulator, part of £40m worth of orders from Russia won by Davy Loewy of Sheffield. The first big order worth £4m was obtained in 1975. In 1976, further orders worth £36m were received for five forging complexes and these included twelve integrated rail-mounted manipulators. These forging complexes are precisely controlled by very advanced electronic systems.

● ELECTRONICS

New idea in video discs

VICTOR CO. of Japan reports development of a video/audio high density disc system for home and industrial use, which can be used in many applications, including movies, broadcasting, education, advertising, music and information filing.

The player, connected to a domestic colour TV receiver, plays a 12-inch, grooveless plastic disc which contains up to 2 hours of colour programmes with sound, on each side.

Picture and sound information, including stereo is recorded as pits on the disc surface to guide a pick-up stylus. For recording a single laser beam is split in two, one for recording information to be retrieved, the other for recording the tracking signal.

Information and tracking signals are simultaneously picked up electronically as capacitance variations between the disc surface and an electrode on the tracking stylus.

At present four Japanese electronic manufacturers, including Victor, have developed their own colour video disc systems. But no company has started commercial production.

Victor says that Japanese developers need to unify video disc systems before commercial production. Mitsubishi Electric Corp. and Sony Corp. have developed an optical system video disc, while Hitachi has developed a pressure system.

● MAINTENANCE

Snakes down the drain

EVEN THE most stubbornly blocked drains are said to be quickly and efficiently cleared with a medium-duty electrically powered machine, called Rior Prins, says Wards Flexible Rod Co., 10 Cleave Avenue, Farnborough, Kent BR6 7HB.

A flexible, coiled spring rod, with wire rope core is used and can clear obstructions in pipes from 50mm to 100mm in diameter. The rod is housed in an interchangeable rotating drum powered by a ¼ hp single phase 220V or 110V electric motor.

The motor drives the drum which propels the spring rod through a feed mechanism (which the company says is unique) and not only gives a variable speed of feed—0 to 5 metres/min.—but also allows instant reversal of direction of feed, irrespective of drum rotation.

The machine, which is manufactured by the Dutch company Rilor BV, is mounted on a light but strong tubular steel wheeled chassis and weighs 36kg.

● LIGHTING

Inspection equipment

A THREE-dimensional measuring machine equipped with a microprocessor-based digital readout system called the Airborne, is the first product of the newly formed ITP, 7, High Street, Lutterworth, Leics. LE17 4AT (04555 57828).

In addition to acting as distributor for leading makes of machine tools, the company says it will develop and market its own range of products.

It is sole UK distributor for the rotary tables and special-purpose machine tools made by Sykes and Dyson and Midlands agent for Rudolphe Carne and Co., supplier of Cazeneuve lathes and Huron milling machines.

● BROADCASTING

Radio link for TV systems

ALLOWING A degree of camera mobility which is said ot have been previously unavailable for live broadcast systems, is a compact man-pack radio link for colour television ENG (electronic news gathering) applications from Microwave Associates, Woodside Estate, Dunstable, Beds, LU5 4SX (0582 601441).

Operating in the uhf bands IV and V, the link employs a lightweight self-contained transmitter easily carried by the camera man. Use of the uhf band provides for omni directional transmission and it is convenient that a suitable section of the spectrum is already allocated for tv transmission.

Provision is made for rapid selection of an unused channel in the geographic location by the use of a tunable transmitter drive oscillator and receiver local oscillator, each frequency locked to an ultra stable reference source employing a plug-in crystal.

The appropriate crystal for the required channel is simply inserted, and the tuning control is adjusted to give frequently lock as indicated on the panel meter.

Packaged in a weather-proof back pack housing, the transmitter unit weighs only 16 lbs, including the clip-on rechargeable battery pack which gives two hours continuous operation.

● COMPONENTS

Tiny gyro available

FITTING VERY comfortably into a golf ball, but as fully engineered as very much larger units, is a new miniature gyro by Sperry.

MGL-80 Microflex Gyro weighs 35 grams, needs 3 watts of power and can withstand 200g.

It is suggested for such applications as laser and TV head stabilisation, north-seeking gyros, bore-hole alignment units, etc. and is available in two models of separate torquing rates.

Hermetically sealed, this miniature dry gyro is capable of stabilisation in two axes and in such applications would be used as a reference source. It can also be fitted into a two-axis servo-driven gimbal system with synchro outputs and in this form would provide an accurate reference for vehicle heading or attitude.

A rate gyro version of the Microflex is being developed.

Sperry Gyroscope, Downshire Way, Bracknell, Berks. RG12 1QL. Bracknell 3222.

FINANCIAL TIMES SURVEY

Wednesday October 4 1978

U.S. Futures Markets

Interest in futures trading on the U.S. commodity markets has been encouraged by the investor's desire for protection against the fall of the dollar as well as fears of renewed inflation. The biggest growth has been recorded by trading in interest rates and foreign currencies.

Financial contracts fuel expansion

By John Edwards, Commodities Editor

THE EXPANSION of the futures industry continues apace. In the year to June last estimated volume on all the U.S. futures market leapt to over $1,400bn, making it a trillion dollar industry. This is, of course, a somewhat misleading description since, as the Futures Industry Association point out, it represents the theoretical amount if deliveries were made on all contracts traded and actual delivery made only on a small percentage.

Nevtherless it is one indication of the growth of interest in futures trading in the past decade and especially in the past few years. The number of contracts traded on the futures markets provided further evidence of the industry's expansion.

Total futures contracts traded in 1977-78 rose by nearly 17 per cent to $48.4m—double the volume of only four years ago. Soyabeans on the Chicago Board of Trade remains the grandaddy of all the markets.

Trend

But the really significant trend to emerge is the growth of a new breed of futures trading—the so-called financial instrument markets covering interest rates and foreign currencies. These markets have established themselves with astonishing success in a short time and have provided the main excitement during the past year, with most traditional commodities taking a back seat in generally dull conditions.

The importance of the financial instrument contracts seems likely to grow even more as a battle looms between New York and Chicago over futures business.

The American Commodity Exchange, an offshoot of the American Stock Exchange in New York, has just launched a futures contract trading in Ginnie Mae (Government National Mortagage Association) certificates to rival the established markets on the Chicago Board of Trade. The New York Commodity Exchange (Comex) is also planning to introduce a whole financial instruments complex of futures markets for hedging or speculating against changes in interest rates ranging from Ginnie Maes to 3-month, 1-year and 2-year notes. Although the Chicago exchanges were the innovators of this highly successful new concept, it is claimed that the financial centre of the U.S. is in New York and that they will attract a whole new volume of business from New York institutions reluctant to deal in Chicago.

The Chicago exchanges are hitting back with new contracts and ideas to fight off the challenge from New York. The Board of Trade recently introduced a revised Ginnie Mae contract to make the market more attractive to the cash trade, and is also planning a contract for Eurodollar certificates of deposit to be delivered in London.

Both Chicago and New York are in agreement that the biggest growth potential for futures trading is in the biggest commodity of them all—money with new supplies of U.S. Treasury bills issued each week that theoretically should be hedged against the increasingly sharp changes in interest rates.

The success of the gold and foreign currency futures contracts also highlights the increasing preoccupation of individuals and companies with the protection of their funds against inflation and unpredictable currency movements.

An even closer link between the stock markets and futures could be forged by the Kansas City Board of Trade plan for futures trading in the 30 industrial stock average. The idea is to provide hedging facilities against fluctuations in the value of stock portfolios.

It is claimed that the contract will offer investors as well as speculators the same type of price and value protection provided by commodity futures markets. While attention has been concentrated on the financial markets, other futures contracts under consideration include coal, oil, ocean freight rates, and the New Orleans Exchange is planning to reintroduce a futures contract for cotton and other commodities.

All these new contracts have to be approved nowadays by the Commodities Futures Trading Commission (CFTC), which has been the subject of considerable criticism. Its very existence was threatened when Congress had to decide whether or not to approve its reauthorisation for a further period.

Details of the changes made to the CFTC structure by Congress have yet to be fully clarified; but one important change is that the chairmanship of the Commission is now a political appointment by the President.

The CFTC came under particular fire both in the U.S. and Britain for its failure to control the London options scandal.

London commodity traders were particularly incensed at the bad name given to UK markets by the activities of dubious companies in the U.S., which in many cases either merely pocketed the premiums or charged excessive amounts.

In the U.S. tthe CFTC eventually took the easy way by banning all option trading, except for special trade options. This has put back plans to introduce options trading on the U.S. commodity exchanges for some time, especially as the debate over reauthorisation of the Commission has caused a log-jam of paperwork. It is still hoped that option trading will be authorised on the New York and Chicago exchanges, but the starting date is now more likely to be 1980 rather than next year.

Meanwhile there is considerable resentment among commodity traders against the CFTC. Pitiful and pathetic were two of the politer descriptions of the Commission's role so far.

It is feared that the CFTC could over-regulate the markets and drive business abroad. In the prejudiced view of one New York commodity trader this has already happened with the "geriatric" securities market and it had to be prevented happening to the "adolescent" futures industry, which is still expanding, especially with the spate of new financial instruments that is attracting a whole new sector of investment interest. Financial institutions, which previously were mainly concerned with providing funds to commodity dealers, are now becoming participants as well to a much greater extent.

At the same time managed commodity futures funds, aiming to provide a higher return on capital because of the better gearing in futures, are becoming increasingly popular as a source of investment for surplus funds; computers and charts are now common tools used to predict market trends.

There is a totally different attitude among public and government circles in the U.S. to speculation on the futures market than in Britain. Mention commodities to a taxi driver and he will often ask what's happening in pork bellies, soyabeans or silver. New Yorkers are even being wooed by TV advertising to participate in futures trading.

Government authorities recognise that speculation is essential to provide the liquidity required for adequate hedging facilities for the trade user. A market without sufficient funds is unable to give the trade proper price protection and the volume of speculation is recognised as a necessary ingredient.

To the outside observer the frenzied trading conditions and dominant role played by "local" dealers, acting purely on their account, may seem a strange way of deciding commodity prices. But the fact is that the markets do serve their prime purpose of providing price protection for the trade extremely efficiently.

Some banks are already taking into account whether a farmer, trader or consumer, is adequately hedged against price fluctuations when deciding whether or not to grant loans, and on what terms. The decline of the dollar, inflation and the general concern about the world economic situation has brought a growing awareness of the role that can be played by the futures markets and explains the great success of the financial contracts.

Image

At the same time it must be said that the exchanges themselves have also made considerable efforts to improve their image from that of gambling dens to more responsible institutions playing an important role.

The growth in popularity of gold and interest rate futures certainly helps the respectable image, and the exchanges are confident that they can continue expanding. This will be especially so when the trading in the traditional commodities, particularly grains, is restored to more normal levels after a long period of depressed prices.

U.S. FUTURE MARKETS II

Brokerage houses branch out

BANKS AND financial institutions have traditionally played a service role to the commodity markets either by financing the actual production of raw materials or providing the funds and facilities for marketing of the product, including the futures markets.

The huge sums of money that are traded each day on the futures markets may be just "paper" transactions cancelling each other out most of the time, but nevertheless they do represent commitments that require financial backing. Not surprisingly banks based in Chicago, and New York, where there are the biggest futures markets in the world, has established special links. Bankers Trust and Chase Manhattan, for example, have been actively promoting the commodity service in recent years. In Chicago, leading banks associated with the futures markets include Continental Illinois, First National of Chicago, and Harris Bank.

First National, for example, has held a membership seat on the Chicago Board of Trade for many years, which it uses as a form of on-the-spot sales and information branch to keep in close touch with what is happening.

Some 70 per cent of the silver stocks, held by the Board of Trade, are held in First National's warehouses, and it provides loans against warehouse receipts; letters of credit and general financial support for the market traders.

Similar

Several other banks in Chicago and New York specialising in commodities play a similar role in providing a service to the futures markets. However, the introduction of the financial instrument, and foreign currency, contracts means that the futures markets are becoming much more actively engaged with financial institutions as participants in the market as well.

The futures exchanges can now provide protection against volatile movements in interest rates or foreign currencies as well as in pork bellies or soyabeans.

This point has not been missed by the Wall Street brokerage houses which are now fighting to get in on the act. One of the leaders, as might be expected, is Merrill Lynch. George Hall, who heads up their new financial futures operation, has been with Merrill for 11 years, and had previously been in charge of the speculative sales department of their commodity division. He has spent the last two years studying the financial futures market to see if it was the sort of market in which Merrill should make a "substantial commitment." They have now decided to take the plunge and Mr. Hall feels that the market is still in its infant stages and the growth over the next few years could be "absolutely spectacular." Consequently, he is building up his staff to service not only Merrill's important institutional clients but also the firm's retail customers.

The story is much the same among the other important Wall Street brokerage houses. E. F. Hutton, in particular, appears to have geared itself up in a major way to take advantage of the rapid growth in the interest rate futures market and under Martin Boorstein now has one of the largest specialist staffs in this area. Hutton has several hundred retail account executives that are now being educated to market interest rates futures in addition to the firm's full-time specialist interest rate futures sales staff.

At Shearson, Hayden Stone they lured Jay Barr over from Merrill Lynch's Government Securities operation to run their new financial futures department. Like Merrill, Shearson is heavily biased towards the retail end of the business with other 100 branch offices across the country and part of Barr's job is to run seminars for the firm's salesmen to teach them all about financial futures.

Bache Halsey Stuart Shields was another firm that went outside to hire people to run its infant financial futures operation. In May, Pat Collins joined Bache from ContiFinancial, the financial futures operation of the giant Continental Grain Company. Bache was already active in the area and Collins sees his role as that of a "product manager" to ensure that financial futures are properly marketed through Bache's 2,000-odd salesmen and 180 offices. In common with other operators in this market Collins admits that it is sometimes rather difficult to see quite where he fits into the organisational structure of a large brokerage house like Bache. Officially he is part of the commodity division but because financial futures are increasingly being used by operators in the massive "cash market" in government and government agency debt securities, Collins and his colleague Joan Davanco, who joined Bache from Seattle First National Bank, are physically located in the firm's government bond area.

One of the first specialist financial futures operations, Conti Financial, was set up by the Continental Grain Company back in 1975 under the leadership of Dr. Richard Sandor. It had a head start over most of the others and is today one of the largest operators in the specialist financial futures market. It has recently opened an office in New York, in addition to its base in Chicago, to counter the growing competition from the Wall Street brokerage houses, and has a staff of around 10 senior executives all of whom have MBAs.

Split

According to Dr. Sandor the main impact of the new financial futures markets has been to create a "whole new class of speculator." He sees the market being split into three main types of users. The primary users tend to be the investment bankers and dealers in government securities who want to cover their positions. The secondary users are the commercial banks which use it extensively to hedge and arbitrage their corporate bonds, for example, and finally there are the mortgage bankers and savings and loan associations which operate in the "Ginnie Maes" etc.

Many of the Wall Street brokerage houses, however, feel that there is tremendous potential to be had in developing a fourth category of user — their corporate clients. Already they are citing examples of companies as diverse as airlines and public utilities taking advantage of the financial futures market to hedge their exposure to interest rate movements. At the moment such examples are more the exception than the rule but Bill Bagley, Chairman of the Commodity Futures Trading Commission, feels that this is bound to change, given the background of volatile movements in interest rates. Whereas many large corporations used to shy away from operating in the futures market because they regarded it as a form of "gambling," Mr. Bagley feels that the pendulum could swing the other way and those corporations that do not hedge their interest rate exposure, for instance, may in future be accused of "gambling."

Already it is clear that a certain amount of friction is starting to develop between the traditional Chicago-based commodity futures traders and the Wall Street brokerage houses. Despite the insistence that financial futures are just like any other commodity future, many Wall Street brokers feel that the traditional commodity traders do not fully understand the ramifications of financial futures and their interrelationship with the other financial markets.

The Chicago Mercantile Exchange got round the problem by setting up a special International Monetary Market division to handle financial instrument and foreign currency futures. Rather belatedly the Chicago Board of Trade is following suit and spinning off its financial futures market into a separate division and offering specialist Financial Instrument membership.

However, some observers still feel that the financial futures market is becoming quite polarised. Pat Collins at Bache

CONTINUED ON NEXT PAGE

Latest figures issued by the U.S. Future Industry Association show that the Chicago Board of Trade still has the lion's share of total business, but is meeting increasing competition from the lively Chicago Mercantile Exchange just "down the road." The New York exchanges now account for over 20 per cent of total business.

U.S. FUTURES VOLUME

Rank	1977-78 and Comparison with 1976-77: July 1977 to June 1978		July 1976 to June 1977		Ranking
EXCHANGES	Contracts	%	Contracts	%	in 1976-77
1 Chicago Board of Trade	24,662,008	50.93	22,064,069	53.21	(1)
2 Chicago Mercantile Exchange	10,950,964	22.62	6,895,025	16.63	(2)
3 Commodity Exchange, Inc.	6,400,451	13.22	6,013,371	14.50	(3)
4 Mid-American Commodity Exchange	1,956,396	4.04	2,366,506	5.71	(4)
5 New York Cotton Exchange	1,263,809	2.61	1,105,273	2.66	(6)
6 New York Coffee and Sugar Exchange	1,121,624	2.32	1,315,069	3.17	(5)
7 New York Mercantile Exchange	852,259	1.76	536,015	1.29	(8)
8 Kansas City Board of Trade	713,073	1.47	633,124	1.53	(7)
9 New York Cocoa Exchange	264,850	.55	323,368	.78	(9)
10 Minneapolis Grain Exchange	235,250	.48	214,191	.52	(10)
	48,420,684	100.00	41,466,011	100.00	
LEADING CONTRACTS					
1 Soybeans (Chicago BOT)	7,708,575	15.92	7,885,016	19.02	(1)
2 Corn (Chicago BOT)	6,028,271	12.45	4,683,943	11.30	(2)
3 Live Cattle (Chicago Mercantile)	3,760,499	7.77	2,878,004	6.94	(4)
4 Silver (Commodity Exchange, Inc.)	3,511,911	7.25	4,121,325	9.94	(3)
5 Soybean Oil (Chicago BOT)	2,614,870	5.40	2,389,203	5.76	(5)
6 Silver (Chicago BOT)	2,501,127	5.17	1,966,725	4.74	(8)
7 Soybean Meal (Chicago BOT)	2,339,727	4.83	2,135,396	5.15	(7)
8 Wheat (Chicago BOT)	2,119,601	4.38	2,278,888	5.49	(6)
9 Gold (Commodity Exchange, Inc.)	1,807,344	3.73	646,313	1.56	(15)
10 Live Hogs (Chicago Mercantile)	1,665,409	3.44	1,096,166	2.64	(12)
11 Gold (Chicago Mercantile)	1,661,908	3.43	495,048	1.19	(17)
12 Pork Bellies (Chicago Mercantile)	1,482,919	3.06	1,232,617	2.97	(10)
13 Copper (Commodity Exchange, Inc.)	1,080,741	2.23	1,245,733	3.00	(9)
14 Soybean (Mid-America)	951,514	1.97	1,101,929	2.66	(11)
15 Sugar #11 (New York)	941,317	1.94	1,073,583	2.59	(13)
16 Cotton (New York)	858,831	1.77	943,777	2.27	(14)
17 Wheat (Kansas City)	713,072	1.47	633,110	1.53	(16)
18 GNMA Mortgages (Chicago BOT)	608,645	1.26	235,011	.57	(25)
19 Lumber (Chicago Mercantile)	526,496	1.09	393,222	.95	(19)
20 Potatoes, RW (New York Mercantile)	510,930	1.06	241,557	.58	(24)
21 Orange Juice (New York Cotton)	404,929	.84	160,507	.39	(29)
22 T-Bills (Chicago Mercantile)	403,946	.83	217,006	.52	(27)
23 Silver (Mid-America)	386,449	.80	410,928	.99	(18)
24 Plywood (Chicago BOT)	352,593	.73	281,983	.68	(23)
25 Feeder Cattle (Chicago Mercantile)	321,779	.66	107,166	.26	(35)
26 Platinum (New York Mercantile)	279,184	.58	129,201	.31	(33)
27 Corn (Mid-America)	266,325	.55	397,284	.96	(20)
28 Cocoa (New York)	264,850	.55	323,200	.78	(21)
29 Wheat (Minneapolis)	235,231	.49	214,102	.52	(28)
30 Deutschemark (Chicago Mercantile)	222,608	.46	73,952	.18	(38)
31 Japanese Yen (Chicago Mercantile)	219,692	.45	—	—	—
32 Swiss Franc (Chicago Mercantile)	214,480	.44	50,073	.12	(39)
33 Live Hogs (Mid-America)	189,963	.39	142,287	.34	(31)
34 British Pound (Chicago Mercantile)	179,056	.37	34,484	.08	(40)
35 Coffee "C" (New York)	162,920	.34	219,028	.53	(26)
36 Wheat (Mid-America)	157,701	.33	309,277	.75	(22)
37 T-Bonds (Chicago BOT)	141,603	.30	—	—	—
38 Canadian Dollar (Chicago Mercantile)	139,100	.29	106,291	.26	(36)
39 Oats (Chicago BOT)	132,953	.27	122,895	.30	(34)
40 Fresh Eggs (Chicago Mercantile)	117,506	.24	156,275	.38	(30)
41 Iced Broilers (Chicago BOT)	70,207	.14	76,661	.18	(37)
42 Palladium (New York Mercantile)	41,615	.09	—	—	—
43 Gold, 3 Kilo (Chicago BOT)	30,324	.06	—	—	—
44 Contracts below 20,000 volume	87,763	.18	252,847*	.61	—
	48,420,684	100.00	41,466,011	100.00	

Source: U.S. Futures Industry Association

NY: merger goes well

THE MERGING of the four commodity futures exchanges in New York under one roof at the giant World Trade Centre seems to have gone better than anyone dared hope. That is the impression a year later after the merger of the four diverse exchanges — Comex, sugar and coffee, cotton, and Mercantile—got together under the umbrella organisation of the Commodity Exchange Corporation (CEC).

There is such a diversity of futures markets within the four exchanges that it was thought they might have serious difficulties in coping with their different interests. However, that has not been the case. The four exchanges are still run autonomously, with their own individual directors and secretaries.

But despite some obvious day-to-day disagreements, all the exchanges declare themselves to be very pleased with the benefits of co-operation that has enabled them to provide much improved trading conditions and stimulate extra interest in their markets. Joint memberships—that is traders who are members of two or of all four exchanges—are rising and this has meant an increased turnover for several markets.

There is a certain amount of caution about the future: it is emphasised that it will take a long time before all the different interests can be merged. But as one trader put it: "Ten years or even fewer from now the New York Commodity Exchange Corporation will be rivalling the Chicago Board of Trade in size and stature." There is still a long way to go before that is true; nevertheless the introduction of the financial instrument complex planned by Comex should be a binding influence that will attract interest from all its fellow exchanges and be in direct competition with Chicago.

Comex is offering a "bargain basement" membership confined to the proposed financial instruments complex only of $7,500 for a seat to ensure adequate membership at the launching. Given the experience in Chicago, where the price of financial markets seats has rocketed, there should be a great deal of interest.

A huge rise in gold futures trading has kept Comex just ahead of the Chicago Mercantile Exchange in volume terms. But it has lost some ground on silver—although it is still the leading market—because of doubts about the tax straddle business that accounted for a large proportion of its previous tournover.

Other new contracts are being studied, including aluminium and nickel, but after the bad experience with the zinc futures market that has so far failed to get off the ground properly, Comex appears more interested in expanding into financial instruments.

The New York Mercantile Exchange, which has managed to survive the well publicised defaults on its Maine potatoes contract, has had great success with platinum futures where turnover has leapt.

It is planning to revive its presently dormant contracts for foreign currencies in view of the increased interest shown in these markets in Chicago, and the general U.S. concern about the decline in the dollar illustrated by the flight into gold and platinum. Other possible new contracts are for oil futures, for domestic delivery only.

The Cotton Exchange is considering efforts to revive its dormant petroleum market by changing the point of delivery closer to the U.S. It is looking as well at the possibilities of trading in cottonseed oil and rice, although nothing definite has been decided. Meanwhile, volume on its orange juice futures contract has expanded, partly through market conditions and partly through extra turnover generated by joint members of several exchanges.

Falling prices and reduced interest have hit turnover on the coffee and sugar exchange, although the coffee contract has been widened to allow delivery from more countries. One idea being studied is for a sweeteners futures market, allowing delivery of liquid sugar to recognise the growth in the high fructose corn syrups in the U.S. particularly. Another possible new contract is for ocean freight rates, which are of considerable interest to sugar and coffee international traders.

Meanwhile the Sugar and Coffee Exchange is holding talks with the Cocoa Exchange — the only New York exchange not under the CEC umbrella so far. Although trapped in its present premises by a costly lease, with many years to run, the Cocoa Exchange is apparently impressed by the way that the different exchanges have managed to put aside their parochial interests to their mutual benefit.

A comparison between the trading facilities and location indicates why cocoa is feeling a little left out in the cold—dependent on one market for its survival. The view at the World Trade Centre is that the CEC should have been formed 15 years ago and included cocoa. There seems little doubt that the growing international reputation of the merged exchanges in New York will make them a far more powerful influence in the years ahead.

John Edwards

Chicago: records broken

RECORDS SEEM to be broken almost every month nowadays on the Chicago futures exchanges. Last month the Chicago Mercantile Exchange announced that volume of contracts traded in the first seven months of 1978 jumped to over 8.1m contracts, surpassing the volume for the whole of 1977, which itself was a record 7.9m contracts.

On the giant Chicago Board of Trade monthly trading volume in August reached an all-time record of 2.26m contracts. This is the fifth time this year contracts traded have topped the 2m-a-month, pushing total volume for the year to 17.7m contracts, 17 per cent above the previous year's record levels.

A membership on the Board of Trade fetched $210,000 in September, the highest price ever paid for a seat there and the asking price is now closer to $225,000. On the Chicago Mercantile, the astonishing growth of trading has pushed membership prices to $210,000 for a seat. Much of the surge of trading in the Exchanges can be attributed to the phenomenal success of the financial instrument futures contracts that have opened up an entirely new sector. They have chimed in well with the growing preoccupation in the United States about the unsettled state of domestic and international economic conditions, symbolised by the decline in the value of the dollar and the growing threat from inflation.

The Chicago exchanges realise that having blazed the trail into this new sector, they are going to face a major battle in the years ahead with the New York exchanges seeking to get in on the act, backed by their strength as a major financial centre.

Competition between the Chicago Board of Trade, which still accounts for over 50 per cent of total U.S. futures trading, and the fast-growing Chicago Mercantile Exchange is intensifying the efforts to retain leadership of the markets they started and improve their share of the rapidly expanding futures trade. Inevitably this must mean making greater efforts to become better known internationally, since this is where New York is strong and Chicago has historically been somewhat insular. It is in the words of one trader "a whole new ball game" that is adding a new range of excitement and activity.

Nevertheless despite the current obsession with the new financial markets, it is not being forgotten that the Chicago markets' strength is based on their importance to the farming industry.

The Board of Trade sets the world prices for grains and soyabeans. Although these markets have been overshadowed by heavy surpluses depressing prices and reducing trading activity, they still provide by far the largest volume of business. Trading in soyabeans and soyabean products has been well maintained during the past year, and increased volume in corn (maize) has more than offset a slight decline of interest in wheat.

A success scored by the Chicago Mercantile Exchange is a big increase in the volume of contracts traded in live cattle, feeder cattle, and live hogs. This has not happened by accident. The Exchange has made great efforts to go out to the farming population and explain the advantages of "hedging," how price protection can be obtained and how to use the futures market.

Much criticism is often levelled at the futures Exchanges for the apparently illogical way that the market price moves seemingly at the whim and fancies of speculators with no trade connection. To the outsider the frenzied activity in the "pits" seems an extraordinary method of deciding the prices of vital foodstuffs.

But the fact is that for all the speculative activity and possibly because of it, the markets do provide the price protection and guidelines required by the trade to enable them to operate, be it a domestic farmer or an international merchanting group.

Behind the stories of speculators making and losing vast fortunes, lies the hard core of a sophisticated market mechanism backed up by the latest communication techniques and constant analysis by very sharp minds.

The Chicago markets have been described as the last bastion of capitalism where the forces of supply and demand can be seen nakedly at work. Trading is, in fact, regulated in a stricter manner than in New York with check systems established over the years, so there is considerable resentment at the extra restrictions imposed by the Commodity Futures Trading Commission.

But it has to be recognised that the world of futures trading is changing in line with the radical alternations in the whole economic structure. Chicago has, itself, been largely instrumental in bringing about the move towards a far greater involvement with the financial institutions than in the past.

J.E.

Brokerage

CONTINUED FROM PREVIOUS PAGE

believes that the market can be roughly divided in two. At one extreme are what he calls the "execution boutiques" who concentrate on "executing" low margin, high volume business for a handful of customers. The customer dictates what has to be done and those operators act very much like wholesalers working away at say four or five very large orders. He puts firms such as Stotler and Co. into this category. At the other extreme are brokerage houses like Bache, which concentrate on providing specialist advice to clients, who are often not versed in the ways of the financial futures markets. If a chemical company comes along and wants advice on how best to hedge its future borrowing costs, Bache will sell them one of its "financial futures products."

Even though there are divisions within the various types of markets it is clear that the firms involved in servicing the commodity broking business to serving the financial markets are drawing closer and closer together. This is partly due to force of circumstance. During the doldrums in the securities industry in the early 1970's many brokerage houses found the going very tough and decided to branch out into the commodity broking business to help cover their overheads. This took them into commodity futures trading and then into financial futures trading, and they brought with them some of their major institutional clients who had grown disenchanted with the opportunities for investment in the securities industry.

In many ways there is a close parallel between the recent rapid growth of the stock options market and the financial futures market. For some years the Chicago Board of Trade, America's largest commodities exchange, wondered how it could extend to the securities market many of the attributes of its commodity futures markets. Finally, it set up the Chicago Board Options Exchange in the early 1970s. This has proved a tremendous success and is now the most important options exchange in the U.S.

Meanwhile, the American Stock Exchange, the country's second largest securities market, approached the commodities market from the opposite direction. Back in 1974 when the volume of business sank to rock bottom levels, Amex set up a special products planning division to search out new business opportunities to supplement the brokerage houses slim trading commissions. It moved into options on common stock and then into odd-lot trading in U.S. Government Securities. Finally, it has branched out into the financial futures market by setting up the American commodities Exchange.

William Hall

The interest rate market

INTEREST RATES futures markets in the U.S. are right on target for yet another year of record trading. After eight months the number of contracts traded in the leading counter—Ginnie Maes—was running at well over half a million, showing a rise of more than 100 per cent on the opening eight months of 1977. August was a particularly impressive month with 109,000 contracts traded compared to 75,500 in July and just 61,000 in August 1977.

The background to America's financial markets has clearly added nothing but power to the elbow of the futures markets, as interest rate uncertainties have built up to a point where even the more unsophisticated money manager has been forced to take some kind of protective stand. Moreover, the one-way market in interest rates that the U.S. businessman has experienced over the past couple of years, with money costs rising in an uninterrupted line, has made the possibility of hedging via interest rate futures sound very plausible indeed.

At the end of 1976 bank prime rates stood at 6 per cent. A year later they were 7¾ per cent, while today they are a full two points higher still. Interest rate movements on this scale are almost unprecedented, and they have driven America's professional money managers to seek almost any available shelter. In this sort of financial climate the futures markets of Chicago are being seen in an increasingly favourable light.

Trading in interest futures began almost three years ago when the Chicago Board of Trade—historically a futures market for trading in grain—received permission to open a market in Government National Mortgage Association pass-through certificates. These GNMA 30-year bonds (known as Ginnie Maes) met with a success that comes close to phenomenal; in their first 20 months of trading, volume totalled something like $29bn as more than 290,000 contracts were dealt in.

Today five types of security can be traded on two separate futures markets in Chicago, and further additions are in the pipeline. Ginne Maes apart, the Board of Trade operates a market in 15-year Treasury bills and 90-day commercial paper while its contemporary the Mercantile Exchange trades in 90-day and one year Treasury bills.

The former is planning to start trading in 30-day commercial paper as well as four to six-year Treasury bills. Longer term, and aimed specifically at international banks operating in London, the Board of Trade could begin to trade in three-month Eurodollar certificates of deposit. Playing its ards closer to its chest the Mercantile Exchange claims to have "other financial utures instruments" up its sleeve.

The success of Chicago interest rate futures in terms of the people that operate the two markets can be judged by the spiralling cost of membership. On the Board of Trade membership has shot up from $30,000 to $80,000 in less than a year, while the cost of a seat on the International Money Market (the financial futures operation of the Mercantile Exchange) is currently running at around $135,000, or roughly twice what it costs to buy membership of the New York Stock Exchange.

At the moment interest rate futures are clearly a lucrative outlet for the operator, and likely to remain that way so long as volume continues to climb. There are those in the industry that will argue with some force that the vast bulk of America's money managers have yet to tap the futures market, and that, as a result, the sort of services offered by the Chicago markets still have enormous scope for further growth.

One key here is clearly interest rate stability. There have been precious few signs recently that the U.S. financial markets are about to break out of their present turmoil and sail into calmer waters.

By far the most poular futures instrument as far as the investor is concerned is the Ginne Mae: a Government-guaranteed security traded in $100,000 contracts and representing a pool of Federally insured mortgages. Not surprisingly perhaps, the American Commodities Exchange, which is a spin-off from New York's American Stock Exchange, has chosen Ginne Maes as the underlying instrument on which to base its sortie into the world of interest rate futures.

Second

The American Stock Exchange is second only to the New York Stock Exchange in terms of size, and its American Commodities offshoot will be the first new commodity exchange to open its doors in New York for almost half a century.

The American Commodities Exchange has only been in business since September 12 so it is clearly early days yet. But something like two-thirds of all the Government securities dealers in the U.S. are based in New York, so the new exchange looks like getting away to a solid enough start. It has already had to more than double its membership to 154 seats from an initial 75 seats. At present the newcomer plans to add Treasury bills to its trading list next January with the option to take in longer term Treasury bonds later in 1979.

To illustrate how a borrower's hedge might work let us take a manager of a pension who in the month of March expects to receive, say, $1m in funds for investment three months later. As a professional money manager he is responsible for maintaining income and preserving bond values. So as protection against interest rate changes our manager buys bonds with the best possible yield values as soon as his funds become available.

He notes that presently the yield on bonds is favourable and therefore decides to look into current yield values just in case they have eased lower by the time he gets his hands on the $1m he is to invest. Our fund manager does this by simply tapping the futures market. He goes long, that is buys September futures contracts to the value of $1m. By June yields have declined, as he wisely anticipated, pushing up bond prices and making his actual capital outlay that much higher. Cover against this is provided by selling in the futures market the previously purchased bond futures at the higher price.

Thus our fund manager's losses in the cash market are offset by gains in the futures market, less the cost of dealing. The arrangement has clear attractions. Less obvious perhaps is the chance that futures markets offer for those interested in outright speculation for capital gain. But the prospect is undeniably there—with the risk-reward ratios evenly balanced.

Jeffrey Brown

A miracle of communications

MOVING THE opening New York cotton prices through the London office of Reuter Commercial Services to many destinations in 1950 was a highly streamlined human operation. And when a fumbling novice, such as myself, was told to "go over to the markets and see what it is all about," the first major stumbling block would be Bill Bullock.

A giant of a man, he ran the market prices communications section like clockwork and had a memory for market message code names, times and destinations which was not far short of miraculous. His advice to all tyros was: "kept your eyes open, your ears open, your mouth shut and out of my * * * * * * way."

This last injunction was essential, for as the deadline for the New York opening cotton flash message "RUTH" approached, one acolyte would stand next to the teleprinter to rip out the line of code and rush it over to the Smith-Corona expert to copy.

From this stage the message was split between various outgoing teleprinter circuits and the total transit time across the market's floor was probably never more than about 10 seconds.

There were, and still are, many of these code messages: By tradition the codes were chosen to cut operator time on identifiers with boys' names for daytime traffic and "girls' for nights," as the saying went. Security—essential in the early days of Reuters—was preserved by group coding. But where the whole scheme of things took something of a knock was when market summaries from some distant point came to London in cables with a large dash of local ingredient.

Seasoned markets men frequently tore their hair over what was sometimes pure gibberish and the neophytes could only wait and tremble. Those were the days when a small, active commercial section was beginning to find attachment as a tail to a large, somnolent and unwaggable dog a serious hindrance to expansion.

Now, the economic services side of Reuters this year is likely to contribute as much as £60m out of total world-wide revenues of some £70m. What proportion of this first figure accrues from commodity information is not known: it is probably considerable, even though financial and banking information looms so large in Reuter's battles for market supremacy, particularly in Europe.

Expansion

Expansion of world communication facilities sparked off by the appearance of the communications satellites, and the simultaneous growth in the use of computers, made this rapid expansion possible.

In 1964 the first computer-driven service via an Ultronic TV-type display was brought in and found immediate acceptance wherever businessmen demanded "instant" information rather than wait till it came up on the tape.

There followed a period of intensive development and not a few problems centred on the fact that at the time computers did not have the reliability required to supervise and operate a series of large data bases *which must be available all round the clock without fail.*

It took until 1973 to provide users of the services based on the Ultronic units with what could be called an intelligent terminal—that is one capable of taking customer information and feeding it back into the pool of general data on the particular activity in which the customer is engaged.

That is now known as the Monitor system, which has 2,400 subscribers world-wide for commodity, banking and financial reporting. Now the directory of the various commodity services available fills 50 pages and users can elect to have a continuous silent printer or the Monitor screen or both.

Specialist ticker services are provided in sugar, cocoa, coffee, grains and oilseeds, wool, rubber, shipping and metals which, apart from essential market news and prices will provide coverage of any conference or symposium relevant to those markets.

Dimension

But the versatility of the Mnoitor system has taken news handling into another dimension. Through the screen and keyboard, an operator can call up contributed prices from a market anywhere. He can select up to 18 commodities of special importance and have them grouped in a single display in which the last traded price will be updated immediately it changes. To this can be added an alerting service if one or other of the commodities in the group reaches buy or sell limits, and this alert goes on even when the operation is using the screen to obtain other information such as scanning a news story likely to affect his market areas.

Users are also taking advantage of the "conversational" facilities offered by the equipment. For instance, Philipp and Lion is sending pre-market pricing of metals to its own clients through Monitor.

The next step will be to provide a link between the subscriber's own computer and the Monitor terminal, so that essential data from the latter can be fed directly into the local system without the need for transcription and, thus, possible error.

To maintain its world data base service, the company has set up data centres in London, Paris, Amsterdam, Zurich and New York. Direct links to the computers of the various futures markets around the world have been set up to provide an immediate input of some of the more vital data on which the service operates. The market price messages are handled by a large ADX or automatic teleprinter exchange which is programmed to select messages by order of priority.

One of the pre-requisites for a satisfactory service such as is described here must of course be availability. And this is a problem which began to be widely discussed within the organisation as far back as 1956.

It has been achieved, at no small cost, by setting up a ring communications system around the above-named five offices in Europe and providing two transatlantic links lines, one to London. Thus if there is a break in continuity between two of the European offices, messages go round the other way. And if a link with the U.S. goes down, there is a standby. In this way, very high on-line times are being achieved, believed to be well over the 99 per cent mark.

Whether or not the organisation will ultimately have its own satellite is a moot point. For the time being it is not under consideration and indeed undersea cable is preferred because of its slight speed advantage. Meanwhile, a big increase in system capacity is in the offing with the impending move from 2,400 to 4,800 band operations on the European ring and the links with the U.S.

Ted Schoeters

مكتبة من الأصل

The Management Page

EDITED BY CHRISTOPHER LORENZ

Nicholas Leslie examines the problems Britain's first computer shop had in raising finance.

Why Charterhouse bought a bit of the Byte Shop

IT WAS barely a year ago that Bill Cummings was cold-shouldered by his bank when he sought support in setting up a new type of computer business. Today, he is secure in the knowledge that he can embark on a rapid expansion with around £200,000 of outside financing available for his first phase of growth.

Cummings's frustration at being refused any sort of help by his clearing bank is perhaps understandable given his contention that he already had a good ten-year trading record from another business. And what was to transform his fortunes was not to be any change of heart on his bank's part but the purest chance—an unexpected meeting with the director of another banking organisation, Charterhouse Development, which turned out to share Cummings's enthusiasm for his new venture.

The business Cummings has set up is called "The Byte Shop" (a byte is a unit of information in computer technology). This is a retail outlet selling a wide range of computer hardware and software independently of the manufacturers. It is an entirely new concept since computer manufacturers have historically marketed their own products direct to customers. The idea behind the shops is to bring computers—and particularly the new micro-computers—within the range of smaller businesses.

Potential

This is the sort of market which big hardware manufacturers have neglected, largely because the returns on their existing type of business have been so good and partly because selling to smaller companies tends to be more competitive and costly. While in the U.S. Byte Shops have taken off rapidly over the past three years, they are unknown in the UK.

Cummings's conviction that there was potential in computer retail shops grew out of his existing business. He owns Computer Aided Systems, which markets mini-computer systems mostly from Digital Equipment Corporation. This, in turn, evolved out of a company selling traditional business systems such as accounting machines that Cummings started ten years ago on "a wing and a prayer." CAS's turnover in its financial year ending in November will be over £1m.

Cummings had reckoned that this would stand him in good stead when he approached his bank, National Westminster, for financial backing in setting up his first Byte Shop. He could also produce the results of an independent market survey he had commissioned which, he says, showed that a market existed in the UK. Additionally, he had his own impressions, gained from a visit to the U.S. to assess the situation for himself.

National Westminster would not put up anything, he says. Disenchanted, he decided to finance his first shop himself. This involved £40,000 (excluding his research costs), which he took out from CAS's reserves. That was a risky move, he says, because it meant leaving CAS potentially short of working capital, which could have created a cash flow problem.

So why didn't he look for cash elsewhere? His answer is that, after National Westminster's refusal, he felt he was "in a position of weakness. I felt I should start myself off and then go back for money in a position of strength." His premise has proved correct, he maintains somewhat cynically, since banks have proved "only too eager" to provide cash now that the first shop has got off to what he sees as a very successful start.

Hugh Routledge

Bill Cummings, managing director of the Byte Shop, hoping for another four by Christmas

His cynicism does not, however, extend to Charterhouse Development—a subsidiary of Charterhouse Group—which he feels has shown a willingness to take risks by organising the finance for, and partially backing, this sizeable initial development: he hopes to open a further four shops by Christmas. Charterhouse has also committed itself to supporting Cummings beyond this first phase. For its part, Charterhouse says that "we have never put so much money into anything so young."

The deal actually takes in three parties — Cummings, Charterhouse and United Electronic Holdings, an electronics components distributor in which Charterhouse Group and another of its subsidiaries, Charterhouse Development Capital, each has a 22 per cent stake. The balance of 56 per cent of UEH is owned by Mr. Bennie Linden, its chairman, who worked closely with Cummings to put together the Byte Shop strategy.

Cummings has had to part with 50 per cent of the equity of his Byte Shop company to get his backing, but is quite happy about this since it allows him to expand fast with a considerable degree of control over all his shops, and with the long term commitment of Charterhouse (provided, of course, that all goes well). The alternative — a franchise operation — he agrees with Charterhouse would have offered him fast growth, but would expose him to the probability that franchisees might soon part company to do their own thing, thus disrupting progress and creating a management problem.

Charterhouse and UEH have each taken a 25 per cent stake in the Byte Shop for which they each paid £25,000. Each has also provided a further £25,000 of loans. Cummings can also call on further cash of up to £100,000 by way of clearing bank overdrafts.

Charterhouse's involvement arose, says Mr. John Hardy, a director, because his company—through its connection with UEH — had been studying the possibility of setting up some kind of computer shop. Some study of the market had been done and a very modest "toe in the water" type of investment was imminent when another Charterhouse director told Hardy of Cummings's Byte Shop situated in Ilford, Essex. Hardy thought it worth while at least to have a look at the shop. The result was a discussion with Cummings that led to his changing his plans and deciding to back Cummings instead.

An agreement in principle was reached within days and the final go-ahead came just a few weeks later. In the interim Cummings made another trip to study the U.S. market and Hardy also made a visit to assess the American experience.

A combination of factors convinced Cummings that a market existed for his type of retail outlet, including a rapid increase in the efficiency in recent years of computer memories, together with growing opportunities for volume production. Also, an expanding number of manufacturers of mini- and now micro-computers "had produced a gap where you had the small products but nowhere to sell them. Now we provide the outlet in our shop."

Full-blown

Cummings reckons that it will be the business rather than the consumer market which will provide him with customers from the outset. This contrasts with the U.S. experience where personal disposable incomes are at least twice the level of the U.K. and where initial growth has been led by consumer "hobbyists" — that is, people who buy small computers to use in the home. These have ranged from very basic models which can be linked to television sets for playing games such as tennis and football to more sophisticated full-blown computers which, say, a scientist might use at home to complete unfinished work.

Cummings suggests that UK users are estate agents, *solicitors, accountants and most* other professional people. He reckons, for example, that a small computer, costing around £3,000 would enable an estate agent to match immediately the requirements of a client to a property he has on his lists rather than going through a a laborious sifting process. Then again, a doctor would be able to retrieve a patient's records for screening on a video unit. A businessman could have his accountancy work done on a similar system and retrieve details of sales, purchasing, budgeting and other information.

Right calibre

Cummings does not limit applications to small businesses, either, pointing out that many of the latest ranges of micro-computers are ideal for use within big organisations — often, he maintains, proving more economical than a big central computer for a number of functions.

The price range of full computers which Cummings's Byte Shops will carry at present is £700 to around £15,000; this amount could be spent on a multi-terminal system for educational purposes. As a result of the Charterhouse backing, *Cummings is just about to open* his second shop in Southampton and plans are already advanced for the next one, which will be in the North of England.

An interesting feature of Cummings' organisation is the way he is setting about ensuring that the management of each of his shops is of the best. Managers will, he says, need to have a good combination of technical, management and sales skills. In order to attract the right calibre each outlet will be a separate company within the Byte Shop chain, and each manager will have a stake of between 15 and 25 per cent of the shop's share capital. "It will be his shop and he will be building up capital value," says Cummings.

Each manager will invest a small sum for his shares and, should he want to sell out at a later date, the company's auditors will determine the capital value at that time. It is, says Cummings, "a very nice formula," which he feels is fair to each manager. The scheme is based on one which Bennie Linden uses in some of his businesses at UEH.

Cummings is not speculating on the size his chain of shops will eventually reach, but on present estimates he reckons that any community of 1m can, with adequate businesses support one shop—thus London alone could support ten. This clearly leaves rom for considerable growth.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Adverse possession

What further action is required by the beneficiary from adverse possession acquisition in order to register the additional land on his deeds? In any case I have had some land under my exclusive control for about 20 years, when I bought it, but I have been shown a title deed of 1931 supporting the claim of another. Do I concede that the land is not mine and plead the Limitation Act?

All that is required is evidence of the requisite adverse possession. This may be achieved by means of a statutory declaration or declarations made by a person or persons who can speak of their own knowledge as to the continuous open and exclusive possession and of the absence of any challenge to it. Registration will not be appropriate if the land is not in a compulsory area of registration of title. In your case you can admit that your deeds do not give you the paper title but you should not concede that you do not have title. Instead you should assert title acquired by your adverse possession: that is what Section 16 of the Limitation Act 1939 achieves.

Farewell gift

Can you give me an opinion on the following—my accountants are unwilling to commit themselves?

I am a company director, and expect to retire on October 31. My firm have suggested giving me my company car as a farewell gift. It has a market value of about £1,400 and will have a written-down value of about £850.

(a) If I accept this, will the value of the gift, being over £10, be added to my taxable income for the current year? If so, it will be at my marginal rate, which is fairly high. (b) Will the firm have to pay V.A.T. on this gift? (c) What is the position if I buy the car for a nominal sum?

There are no simple answers to hypothetical questions in this field, as you will have inferred from your accountants' cautious response.

As broad guidelines, however, we offer the following answers:

(a) Yes, you will be assessable (at your marginal rate, in effect) on the market value;

(b) Yes, it will constitute a taxable supply for VAT purposes;

(c) You will be assessable on the market-value-minus-£10, and it will constitute a taxable supply (as in b).

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

BUSINESS LAW

EEC's thorny problem of 'fair competition'

BY A. H. HERMANN

THE much-feared Competition Department of the EEC Commission has only seven inspectors for fact-finding and fact-checking operations. But this does not mean its reputation is undeserved. For it claims to possess Europe's best and most comprehensive electronic system for the retrieval of economic information, strong data on development in 3,000 separate markets, and the pricing of 500 selected products.

The system can pick up erratic developments which appear economically unjustified—be they sudden changes in market shares, or large differences and changes in prices—may signal that secret restrictive agreements are at work, or that monopolies or oligopolies are abusing their market power.

The Competition Department obviously relies on the computer a great deal, particularly in its latest drive against certain pricing policies and distribution systems which, in its opinion, infringe the hitherto neglected Article 86 of the EEC Treaty.

This provision of the Treaty prohibits any improper exploitation of a dominant market position within a substantial part of the Common Market in so far as trade between member states is liable to be affected by it. Article 86 gives a number of examples of such improper practices. The first of these is "the direct or indirect imposition of unfair purchase or selling prices or of other unfair trading conditions."

For some 15 years the *Commission, which enforces the* competition rules of the Treaty, has almost completely neglected the possibility of policing the behaviour of monopolies in the interests of consumers. Instead it attempted to use Article 86 to stop mergers which would reinforce dominance. But recently it turned its attention to pricing policies and selective distribution systems. By its Chiquita decision it required United Brands—the former United Fruit Company—to sell bananas to importers in all Common Market countries at the same low price which it changed to Irish importers.

United Brands appealed to the European Court and the Court, though dissatisfied with the fact-finding done by the Commission, made an important ruling about fair pricing. Dominant market enterprises, said the Court, must not ask for a higher price than is reasonable in view of their costs and they must not take advantage of the higher price levels which exist in some Common Market countries but rather leave any extra profits to be made to importers and distributors who bear the risks of the local market.

The whole question of EEC law and policy on pricing and distribution systems was discussed last week in Brussels at a conference attended by a large number of marketing managers, company lawyers and legal practitioners. Convened by European Study Conferences, the two-day seminar featured several eminent speakers, including university professors, Commission lawyers and legal practitioners specialising in this field.

Though it was an excellent and extremely useful conference, those who came hoping to learn what is, and what is not, allowed, discovered quickly that this was an impossible dream.

The lecturers either confessed that they did not know what the law is or differed widely in their assessment of the Court's judgments and the Commission's policy on pricing, selective distribution systems and the appointment of exclusive distributors.

After these initial disappointments, it was still hoped that some new light would be thrown on the subject by Dr. Willy Schlieder, Director General of the Commission's Competition Department. He assured his audience that the Commission did not intend to become a price control office. His department would proceed only against unfair prices charged by companies dominant in their markets. When asked whether it was not unfair to British companies to prevent them from *charging higher prices in the* more affluent member countries, he said that only a very few British companies would fall into the market dominant category and that in any case the Commission would not treat as unfair prices which the companies concerned could not justify by their costing evidence, unless these prices were "usurious" and were charged by companies with large market shares.

Dr. Schlieder is a charming man, and an amusing speaker but the notion of exorbitant prices cannot be found in any of the Commission's decisions or Court's judgments. The definition of market dominance of both the Commission and the Court has been steadily moving away from the yardstick of market shares.

British Petroleum, with only about 6 per cent of the Dutch market, was found by the Commission to be market dominant and infringing Article 86 because at the time of the oil crisis independent distributors were in a weak market position—and the European Court remained silent on this point when allowing BP's appeal. A Swedish firm was found to be dominant because its distributor depended on it for spare parts.

It was quite a relief to have to leave the rough and tumble of the Sheraton Hotel, where the conference was held, and to ascend to the august thirteenth floor of the Berlaymont, the great winged edifice of the EEC Commission. The thirteenth floor is inhabited by the Commissioners and members of their cabinets. The silence and peace of the place immediately make one feel that this is another, better world, undisturbed by the greedy rush of marketing managers and confusing argumentation of business lawyers.

It is clearly bad form to mention the uncertainties plaguing EEC competition law and policy when talking to one of the Commissioners, worse than going fox-hunting in a crash helmet.

The basic problem with all this is that the Commissioners have delegated their collegiate authority in competition matters to one person—the Commissioner responsible for competition, M. Raymond Vouel.

This delegation of authority seems a practical and justifiable measure when one thinks of the *political pressures to which* individual Commissioners would otherwise be exposed whenever an investigation against an important group of companies is started. It is less understandable why it was from the Press that some Commissioners learned last week about the formal investigation started by the Competition Department into the market sharing arrangements of the steel cartel operating under the auspices of the Commission. This recommends production quotas and minimum prices for certain (though not all) products of the steel industry.

And it would certainly be a great pity if this delegation of collegiate authority should prevent the Commission from dispelling the dense legal fog which threatens to slow even further the already sluggish European enterprise.

LOMBARD

A way to get decisions

BY DAVID FISHLOCK

MR. ANTHONY Wedgwood Benn, Secretary for Energy must be given credit—if that is the right word—for achieving something no previous minister responsible for Britain's civil nuclear programme has managed before. He has succeeded in unifying the industry on certain crucial aspects of policy.

Many months of discussions conducted by Lord Aldington, chairman of the National Nuclear Corporation, involving industry leaders, officials and Mr. Wedgwood Benn, about the organisation and management of nuclear reactor design and construction in Britain, have produced an astonishing unanimity of view. To a man the industry appears to agree on two crucial matters: that the present three-layer management structure imposed by the Government in 1974 is unworkable and needs to be changed swiftly; and that the Secretary for Energy will be hostile to any proposal the industry takes seriously for making it work better.

Secondary

Since his removal from the Department of Industry three years ago, Mr Wedgwood Benn's over-riding achievement has been to ensure that energy policy remained of secondary political importance. This is a period when almost every other industrialised nation was bringing energy to the forefront of politics.

Urged on every front by his expert advisers to heed above all the problems of the nuclear industry, and to help it rebuild a strong base for the long-term domestic electricity requirements, the Energy Secretary has largely ignored their pleas.

His Cabinet colleagues mostly have failed to bring any pressure to bear (though they did over the matter of introducing the pressurised water reactor, to which the Energy Secretary was vehemently opposed). But one point which has been rammed home repeatedly in the past few years is the long period of gestation of nuclear projects. No decision—or indecision—this government can perpetrate in nuclear power will have a national impact before another two, three or more governments have passed.

Mr. Wedgwood Benn is insisting that in any fresh "restructuring" of the nuclear industry the state should take 51 per cent (compared with 35 per cent at present). GEC, Babcock and Wilcox, and the seven other private-sector shareholders represented by British Nuclear Associates are united in saying that this "BP-solution," as Mr. Wedgwood Benn calls it, is unacceptable. Both they and the Central Electricity Generating Board have also rejected his alternative proposal, that the NNC's activities should simply be transferred to the CEGB.

What can an industry do when it finds the minister responsible so unsympathetic that he is apparently prepared to delay decisions indefinitely, in the expectation that eventually it will capitulate to his view? Clearly in this case the industry has the basic sympathy of the Government. Why else would it reaffirm its faith by announcing several major new projects? In January it announced that the electricity industry is to order two, possibly three new nuclear stations by the early 1980s. In May it gave the green light for a new £600m reprocessing plant at Windscale. It will shortly announce a further £50m investment in uranium enrichment, its share of new expansion of the tripartite Urenco project.

The micro-electronics industry illustrates a possible way of circumventing a minister as obstructive as the Secretary for Energy appears to be. Within a few days this summer the Government announced three separate injections of cash for this industry, totalling £140m, with every prospect of more to come. Overnight the subject of micro-electronics became a national talking point for everyone up to the Prime Minister himself.

Understanding

The clue can be found in the Cabinet Office, in the activities of the Thinktank set up in 1971 to provide the Prime Minister with a source of specialised advice independent of individual departments of government. Earlier this year the Thinktank recognised that both private industry and the sponsoring department, the Department of Industry, were delaying decisions they saw as crucial.

Advanced technology of the kind illustrated by micro-electronics and nuclear systems are intrinsically difficult matters to master. Experience shows clearly that if they are to flourish they need above all understanding from sponsors. The nuclear industry leaders, who today are frustrated and furious at the obduracy of the Energy Secretary, might well consider presenting to the Cabinet Office a plan stating precisely the role and the management structure they see for a company which, as the Thinktank is already well aware, must be a crucial part of any successful industrial strategy in the 1980s.

Winter flower power

GARDENS TODAY

BY ROBIN LANE FOX

AS THE bonfires begin and the Michaelmas Daisies come into their own, my thoughts turn to plants which could be moved indoors in order to brighten the winter. I do not refer to the plants which ought to be wintered in a shelter, the geraniums, hybrid fuchsias, verbenas, Daturas and soft-leaved Penstemons. I am thinking, rather, of plants which could be started into growth now and which will flower notably in the garden's closed season. The best of course, are bulbs. There is no news in the world of the Hyacinth, except that the spikes of flowers on the Roman Hyacinth are sparse and better-balanced. If you prefer this, you will be spared the task of staking them so carefully in the drawing-room.

The world of the Amaryllis is altogether more exciting. We are all now meant to be so rich, paying ourselves more than prices take off us: why not spread a bit of it into the best new breeds of the *Hippeastrum*, or so-called Amaryllis, easy bulb for anybody, though their flowers have been developed into colours which would win a medal in any show, however amateurishly you grew them? The kings in this exciting world are Ludwig and Company, PO Box 18, Hillgom, Holland. Bowled over by their RHS exhibits, I have been marking their list of new breeds, all of which are registered with the American Amaryllis Society and can thus be shown officially.

The old days of scarlet-crimson, white or flesh pink *Hippeastra* have been left far behind. Not that the old days are any the worse for that. Those plain colours are still very fine in their way. But what about the new Picotees, flowers whose white ground is edged, like a chi-chi cottage's curtains, in a thin line of red? Picotee plain and simple is good enough and not very cheap. Picotee Petticoat is the queen of all, a white with a firm and thin red edge on flowers which are six inches wide, held four to each stem. Perhaps she will soon spread right through the retail-trade, down to the good Amaryllis packs which are offered in branches of Marks and Spencer where they can be bought with confidence. Picotee is quite awesomely pretty and well worth a few pounds for a bulb.

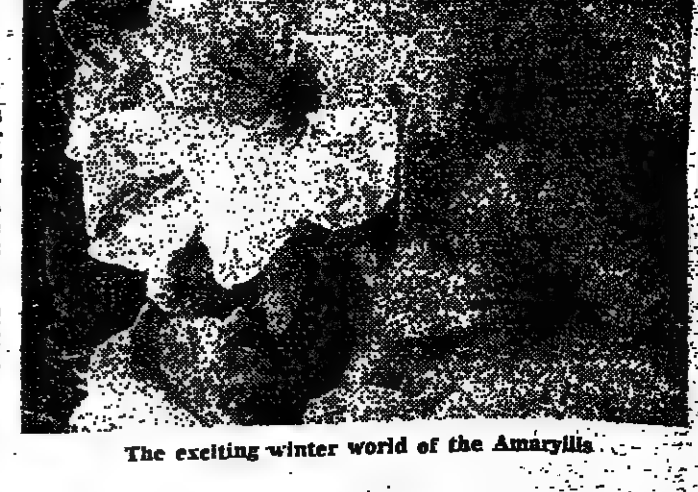
The mottled reds and whites are more familiar, Candy Cane being the pick of named varieties. The pinks have long had their followers, but I was not one of them until I saw the new pink, Daintiness, a clear pale-rose with pink-rose stamens, a green throat and a slightly deeper shape to the trumpet. The reds are now so finely bred that it is hard for you and me to choose between say, vermilion-red, orient-red, Mandarin-red, Capsicum red, Poppy red, Dutch vermilion, blood-red and "geranium lake red colour." But these gradations are all the official shadings.

I am more excited by the return of the smaller-flowered forms once known as Amaryllis Gracilis. These are special cousins to the big ones, like Butterfly Gladioli to the hugely spiked show winners. A big Amaryllis, the blindingly white White Giant, say, will shoot up a stem nearly two feet tall. Hence it looks so startling in most indoor rooms, like some relic from a day at a fairground. But the Gracilis varieties will stop at a foot and a half. They are not so high that their stems never need to be staked or propped in order to hold their pot from over-balancing. Their flowers are held in the usual groups of four or five at the stems apex, but their petals often tend to be pointed, a pretty variation. The clear Capsicum red Fiery Fly, red like a Red Pepper, is most enticing. But there are whites, pinks and red and white stripes in this section too, well stocked by Ludwig and Company. These lesser flowers are far more convenient on a side-table.

How do you grow them? Frankly, they are fool-proof. As soon as you wish to start them into growth, usually in late autumn, you begin to water them in their solid pots. Choose a pot wide enough to support the weight of the tall stem which will appear. The bulbs should be potted up on a rich loam and only half-buried, at most, so that their tops are quite clearly seen. Keep them warm on a window-sill and water them frequently. You do not need a greenhouse to bring on these huge flowers, but if you happen to have a warm one where you can keep them in a damp atmosphere at around 55 degrees F, you will end up with an earlier and finer winter show of flower. If I sat in an office, I would console myself by making free use of them throughout it. They would be so much more interesting than a rubber-plant kept on a heavy service contract. They ought to be tough enough to stand the evening drop in temperature when you switch the office-boiler off for the night. Favoured gardens in the south can grow the plainer sorts of *Hippeastrum* out of doors in their most sheltered beds, facing south beneath a wall. So they are not so very tender.

If you want to keep them from year to year, there is only one secret to remember. Do not stop the water as soon as the flower has faded. You must keep on watering until the long and untidy leaves have begun to turn yellow. Add some Bio liquid manure to the water once a week and you will be doing your best by the bulbs. The new varieties which I name are not cheap, so you would be advised to take care of them for another year. In an office, I agree, they are cumbersome when out of season. But the following year depends on your care after flowering. They will soon be throwing out offsets, smaller side-bulbs which you can grow on and flower after another year.

Among these marginally hardy bulbs, the breeders have made themselves most useful. Crocosmia, Nerine and Amaryllis all have improved quite notably over the past decade, so while you can still afford them, buy the best and enjoy the fruits of progress.



The exciting winter world of the Amaryllis

Kilijaro should win for Weld and Swinburn at Newmarket

RACING

BY DOMINIC WIGAN

A YEAR ago Ireland's leading young flat trainer, Dermot Weld and champion jockey, Wally Swinburn, won the William Hill Cheveley Park Stakes with Sookera, and there are strong grounds for thinking that Kilijaro will do the trick for them this time.

Kilijaro, a full sister by African Sky to that high class French middle distance performer African Hope, has put up several smart performances in the last four months with her best effort probably in Phoenix Park's valuable Patrick S. Gallagher Phoenix Stakes.

Although it can be argued that Devon Ditty, a much-improved filly since finishing one and a half lengths third behind the principals in the Queen Mary, should gain her revenge on the Irish raider on a line through Greenland Park, I shall be surprised if this happens.

Of the remainder, I have most regard for Luca Cumani's lightly-raced Derring-Do filly, Do Be Daring, Lester Piggott's Mount, and France's sole challenger, Silver Glimpse.

Unextended in the hands of the former champion to beat Taffala in a 15-runner maiden event at Yarmouth recently, Do Be Daring, a rangy daughter of Beira had shown notable promise when finishing a close third behind Formulate in Goodwood's Waterford Candelabra Stakes.

It is difficult to gauge just how good is the unbeaten Petingo filly, Silver Glimpse. The scrambled winner of a maiden event at Deauville on her debut, Captain Roger's bay then defeated a good, though apparently not top class, filly in Thalie Dancer at Longchamp.

Another race in which Cumani and Piggott team up is the 10-furlong Exning Handicap, won a year ago by Cumani's Honegger. This time Mr. Carlo d'Alessio's French-bred Kalimir represents the young Italian trainer.

The length conqueror of Highland Prince in a maiden event over this trip at Salisbury in June Kalimir, a powerfully made son of Kashmir II out of Molinka, has put up two creditable efforts in better company at Yarmouth.

He seems sure to go well, but I doubt that he will prove good enough to cope with the still improving Malton Raider, Tessoro Mio.

Few post-war sprinters have enjoyed a better record at Newmarket than Shuffling, and I am hoping now the ground has eased the William Hastings-Bass trained gelding will record his sixth course win in the Phantom House Handicap.

NEWMARKET

2.00—Galaxy Taurus
2.30—Shuffling***
3.00—Kelly's Corner
3.35—Kilijaro**
4.10—Queen's Holt
4.40—Tesoro Mio*

TV/Radio

† Indicates programme in black and white.

BBC 1

7.05-7.55 am Open University (Ultra High Frequency only). 9.15 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Over the Moon. 2.01 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Felix the Cat. 4.25 Jackanory. 4.40 Animal Magic. 5.05 John Craven's Newsround. 5.10 Touch and Go.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 It's A Knockout.
8.05 Secret Army.
9.00 News.
9.25 Sportsnight.
11.00 Tonight.
11.40 Funeral of Pope John Paul (recorded extracts).
12.10 am Weather and Regional News.

All Regions as BBC-1 except at the following times:—

Wales—10.00-10.20 am and 2.18-2.38 pm I Vagolion. 5.10-5.40 Bilidowcar. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.15 Pawb Yn Ei Fro. 7.40-8.05 Tomorrow's World. 11.40 News and Weather for Wales.

Scotland—11.00-11.20 am and 2.18-2.38 pm For Schools. 5.55-6.20 Reporting Scotland. 11.40 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.00 Spotlight on People in Northern Ireland. 11.30 News and Weather for Northern Ireland.

England — 5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
9.05 Gharbar.
9.30 Labour Party Conference.
11.00 Play School (as BBC-1 3.55 pm).
11.25 and 2.00 pm Labour Party Conference.
4.55 Open University.
7.00 News on 2 Headlines.
7.05 May I Have the Pleasure?
7.30 News On 2.
7.35 Conference Report.
8.00 Gardeners' World.
8.25 The Money Programme.
9.00 MASH.
9.25 Play of the Week: "Fearless Frank," by Andrew Davies, starring Leonard Rossiter.
10.45 My Kind of Movie.
10.50 Late News On 2.
11.05 Golf: The World Series from Akron, Ohio.
11.55 Closedown (Reading).

LONDON

12.00 am Cloppa Castle. 12.10 pm Rainbow. 12.30 Sounds of Britain. 1.00 News, plus FT index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon. 2.25 Labour Party Conference. 3.25 Racing from Newmarket. 4.20 The Sooty Show. 4.45 Shadows. 5.15 Batman.

5.45 News.
6.00 Thames At 6.
6.25 Help!
6.35 Crossroads.
7.00 Lingalongamax.
7.30 Coronation Street.
8.00 I'm Dickie—That's Showbusiness.
9.00 Born and Bred.
10.00 News.
10.30 Guy Reed
11.30 Late Night Theatre: "Welcome Stranger," starring Hardy Kruger.
12.25 am Close: A Russian painting accompanied by the music of Borodin.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 pm Anglia News. 2.00 Houseparty. 5.15 Mr and Mrs. 6.00 About Anglia. 11.30 Chopper Squad. 12.25 am The Big Question.

ATV

1.20 pm ATV Newsdesk. 5.15 You're Only Young Twice. 6.00 ATV Today. 11.30 Ghost Story: "The Dead We Leave Behind" starring Sebastian Cabot.

BORDER

1.20 pm Border News. 2.00 Houseparty. 5.15 Gambit. 6.00 Lookaround Wednesday. 11.30 Power Without Glory. 12.25 am Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's on Where. 5.15 Emmerdale Farm. 6.00 Channel News. 6.10 Ladies First. 10.28 Channel Late News. 11.30 SWAT. 12.28 am News and Weather in French followed by Epilogue.

GRAMPIAN

9.25 am First Thing. 1.20 pm Grampian News Headlines. 5.15 Emmerdale Farm. 6.00 Grampian Today. 6.30 Police Newsroom. 11.30 Barnaby Jones. 12.25 am Reflections. 12.30 Grampian Late Night Headlines.

GRANADA

1.20 pm This Is Your Right. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Mr. and Mrs. 11.30 Bluey.

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 2.00 Help Yourself. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm. 11.30 The New Avengers.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion Y Dydd. 4.20-4.45 Rydw'i Am Fod. . . . 6.00-6.15 Y Dydd.

HTV WEST—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

1.25 pm News and Road Report. 1.30 Women Only. 5.15 Betdink. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Report. 11.30 Late Call. 11.35 Police Surgeon.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day by Day. 6.35 Scene Mid-Week (South East area only). 11.30 Southern News Extra. 11.40 Shannon's Mob.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 1.20 pm North East News and Lookaround. 2.00 Women Only. 5.15 Happy Days. 6.00 Northern Life. 11.30 George Hamilton IV. 12.00 Epilogue.

ULSTER

1.20 pm Lunchtime. 3.50 Tell Me Another. 4.18 Ulster News Headlines. 5.15 Cartoon. 5.20 Crossroads. 6.00 Reports. 6.35 The Bob Newhart Show. 11.30 Look and See. 11.45 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 Emmerdale Farm. 6.00 Westward Diary. 10.28 Westward Late News. 11.30 SWAT. 12.20 am Faith for Life.

YORKSHIRE

1.20 pm Calendar News. 5.15 Gambit. 6.00 Calendar (Emley Moor and Belmont editions). 11.30 Elaine, The Singer of The Sons.

RADIO 1

247m

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Peter Powell. 4.31 Kid Jensen. 7.30 The Spinners (S) (joins Radio 2). 8.00 As VHF. 10.02 John Peel (S). 12.00-2.02 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2 including 1.55 pm Good Listening. 8.02 Radio 2 Gala. Listen to the Bands (S). 9.02 The Fred Astaire Story. 9.55 Sports Desk. 10.00 With Radio 1. 12.00-2.02 am With Radio 2.

RADIO 2

1,500m and VHF

5.00 am News Summary. 5.02 Tony Brandon (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including Racing from Newmarket and 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Sing Something Simple (S). 7.30 The Spinners (S). 8.02 Sport on 2 Special. 9.30 Join VHF. 10.02 Offbeat with Braden. 10.30 Richard Briers says Be My Guest. 11.02 Sports Desk. 11.05 Brian Matthew introduces Round Midnight, including 12.00 News. 2.00-2.02 am News Summary.

Radio 2 Scotland Only—8.02-9.30 pm Sportsound Special: Scottish League Cup.

RADIO 3

464m, Stereo & VHF

16.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Samuel Barber (S). 10.00 Music for Organ (S). 10.30 Second Broadcast (S). 11.35 BBC Scottish Symphony Orchestra (S). 1.00 pm News. 1.05 Concert Hall (S). 2.00 Music from the Jewish Liturgy (S). 3.00 Beethoven and Hummel piano recital (S). 13.55 The Pope's Funeral. 20.30 News. 16.35 At Home: Richter at the Festival Hall. 7.30 Swansea Festival 1978: concert part 1: Janacek, Mozart (S). 8.25 The Arts Worldwide. 8.35 Swansea Festival 1978, part 2: Rachmaninov (S). 9.40 Scientifically Speaking. 10.15 How Wagner Wrote and Produced the Ring (S). 11.45 News. 11.50-11.55 Tonight's Schubert Song (S).

Radio 3 VHF Only—6.00-7.00 am and 6.05-7.30 pm Open University. 3.55 pm French Chamber music. 4.55 Building a Library. 5.45 Homeward Bound.

RADIO 4

434m, 330m, 285m and VHF

6.00 am News Briefing. 6.10 Farming Today. 6.30 Today: Magazine including 6.45 Prayer for the Day. 7.00 and 8.00 Today's News. 7.30 and 8.30 News Headlines. 7.45 Thought for the Day. 8.45 Asbestos, Plenty Free. 9.00 News. 9.05 The Living World. 9.35 The Enthusiasts. 10.00 News. 10.05 The Story of the Stubble: A dissertation of the Mad March Hare. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Sydney Carter Thinks Aloud. 11.50 Through My Window. 12.00 News. 12.02 pm You and Yours. 12.27 Dr. Finlay's Casebook. 12.55 Weather; programme news. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre (S). 3.50 Choral Evensong. 4.35 Story Time. News Magazine. 5.55 Weather, programme news. 6.00 News. 6.30 My Word! (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 A Voice in a Person: Recollections by Sir Peter Pears of Kathleen Ferrier, singer. 8.45 Analysis: What Sort of Parliament? 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Round Britain Quiz. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 News.

BBC Radio London

206m and 94.9 VHF

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 In Concert: Young Musicians 1978. 10.03 Late Night London. 12.00-Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

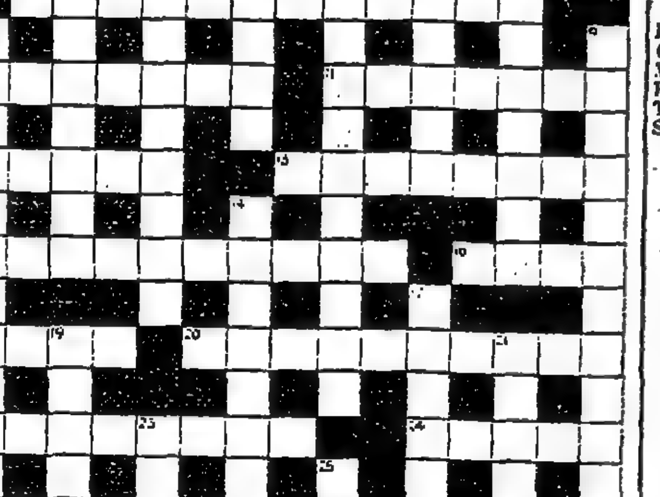
5.00 am Morning Music. 6.00 AM: non-stop news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'Clock Call. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

194m and 95.8 VHF

6.00 am Peter Young's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Duncan Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,787



ACROSS

1 Food rationing not attributable to the Long Parliament (5, 7)
10 Hippy gun carrier (7)
11 Giant who finished stone dead (7)
12 So be righteous and not drunk, to start with (5)
13 Hot day for speed merchant (8)
15 Among those being considered for campaigning (2, 3, 5)
16 Doctor goes to work in shed (4)
18 Run off with female to shelter (4)
20 Fix price of a female supporter going to Virginia holiday area (5, 5)
22 Kind of big-head re-training Ivan to use office machine (4, 4)
24 Deal with special occasion (5)
26 Socially acceptable commendation in lift (7)
27 A beast with a single third-grade tongue (7)
28 I don't know of demand for another question (3, 2, 7)

DOWN

2 Henry gets over one objection to fish (7)
3 Elected to give profit to newsman (8)
4 Company about to take heart (4)
5 Charming instrument produced at Covent Garden (5, 5)
6 Canny type keeping the wheels turning (5)
7 Marvellous girl dealing with lobs at Wimbledon (7)
8 Votes for persons enjoying current esteem (5, 2, 6)
9 Well-defined training in dubious dealings (5, 8)
14 Inferior part given to bishop for instance (5, 5)
17 Take away the sailor's territory (8)
19 Rare tie disrupted in Africa (7)
21 Some vinegary stuff taken by expert to gallery (7)
23 Well may the slender king ponder (5)
25 Caution Pole after hostilities (4)

SOLUTION TO PUZZLE No. 3,786

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FIGURE MANGROVE
R R E M P O P N
UNAWARE PROTEST
I P P S L S R R
TREE CHEESECAKE
I V F Y P B    E
OSIERY PIMENTO
N N A P E R A N
 PEACHER ORANGE
P   T A O Y G C
REDCURRANT ZEST
U A R T I S R A
NUTTIER OUTLIER
E E N E N O N E
DESIGNED SPREAD
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ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the Box Office.

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THEATRES

LYRIC THEATRE. 01-437 3686. Evs. 8.00. Mat. Thurs. 3.00. Sat. 5.00 and 8.30. JOAN PLOWRIGHT, FRANK FINLAY, FILUMENA by Eduardo de Filippo. Directed by FRANCO ZEFFERELLI. "TOTAL TRIUMPH." E. News. "AN EVENT TO TREASURE." D. Mir. "MAY IT FILL THE LYRIC FOR A HUNDRED YEARS." Sunday Times.

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STRAND. 01-836 2660. Evenings 8.00. Mat. Thurs. 3.00. Sats. 5.30 and 8.30.

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Television

Tumult on the moor by CHRIS DUNKLEY

Inevitably one approached BBC2's new production of *Wuthering Heights* with trepidation. Not only is the book (which has already been adapted several times for television, and for the stage and for cinema and radio) one of the most powerful novels in the English language, but the most recent manifestation of Emily Brontë's extraordinary story is still howling out of commercial radio stations all over the country: that weird song, delivered as from Cathy Earnshaw, in which the bizarre Kate Bush repeatedly demands to be let in at Heathcliff's window.

Sure enough, this new television version, directed by Peter Hammond, turns out to be just as mannered, almost as crazed, and nearly as wild eyed and frenetic as the Kate Bush rendering which it was impossible to shift out of the back of the mind as one watched.

And yet, surprisingly, the new television version works. Or rather it *can* work, if you happen to like a bit of the gothick, are content to indulge the director, and are pretty familiar with the book or else willing to let narrative clarity go by the board.

For some reason producer Jonathan Powell chose to have different bits of his five-part adaptation dramatised by different writers. Thus Part 1 was by Hugh Leonard and Part 2 by David Snodin. Such fragmentation hardly seems designed to produce consistency or clearness (though a lot of other television series and even serial drama is written in this way, of course) and no doubt there are viewers who have not read, or have forgotten the book, who have been thoroughly confused about time scales and about when the action has been flashing forward and then back.

Such difficulties would have been quite predictable when Powell (or perhaps it was director Hammond, or the writers, or all of them) decided not to use any captions, or any voice-over narration, or even any explanatory phrases in the dialogue to help the plot past various milestones. There has been the occasional technical device such as the slow mix in Part 2 taking us from the faces of the children playing Cathy and Heathcliff through to those of Kay Adshead and Ken Hutchison, two more new examples of the seemingly endless supply of wonderful acting talent in England.

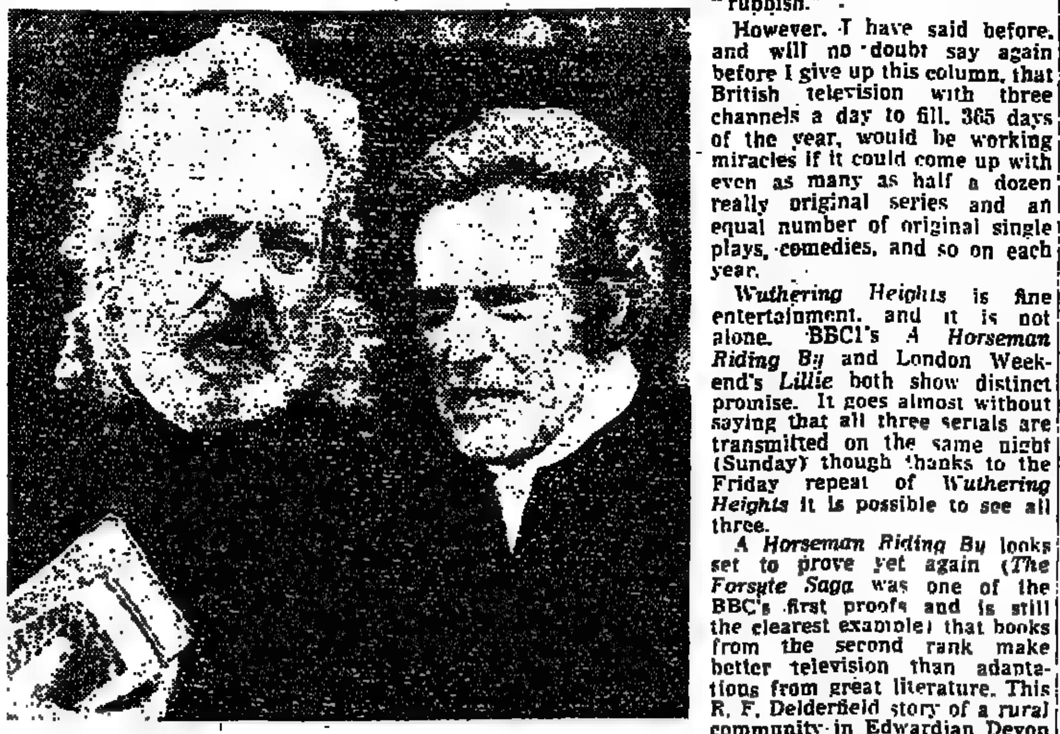
Mostly, though, the viewer has been left almost without narrative aids, verbal or visual, and expected to scramble along past jump cuts in time and space. What we get instead of a very explicit story line is a very powerful sense of atmosphere, impression, spirit. We get it from a symbolism which is pushed to the brink of absurdity: from a series of Grand Guignol effects: and from a very distinctive style of camera direction.

The symbolism is mostly of the earth/air/fire/water variety, and not with any subtle hints at the elemental forces conjured by Emily Brontë, but delivered rather in great crashing dollops. There are no ordinary storms on Hammond's Yorkshire moor, only "atmospheric tumults." Cooking at Wuthering Heights is not done on any ordinary old fire but on a vast conflagration apparently covering most of the kitchen floor. (Handy for pointing the lens through.)

Indoors Hammond uses very low key lighting for dramatic effect. Outdoors he cuts a lot from long shot to medium close-up and vice versa, an emphatic way of fixing people in landscape. His landscapes are not half and half sky and earth, nor even the fashionable three-quarters sky, but nearer nine-tenths. And when he uses big close-up he goes in much tighter on the face than one normally expects in television drama: at one moment in Part 2 we could see 1½ of Cathy's eyes and no mouth—a BIG big close-up.

All this, I take it, is Hammond's way of conveying on television the feeling achieved by Emily Brontë in prose that the characters, the emotions, and the very texture of the landscape and weather around Wuthering Heights are more intense, and larger than life. By the middle of Episode 2 Hammond and his cast had won my sympathy, and I was accepting the production on these terms of theirs.

Two small worries do remain: Ken Hutchison is going to have to pile on the agony if he is to emerge as an even darker and more terrible character than Hindley (good to see John Duttine in the latter meaty and melodramatic role) but there is still time for that: and one aspect of the heavily mannered camerawork does prove distracting without offering any obvious benefits. It is true that all sorts of film directors from the young Ingmar Bergman to some of the hacks at Hammer Films have habitually used leaves, thorns, torn curtains, broken glass and so on in the foreground to frame the human figure beyond. But apart from occasionally conveying a sense of eavesdropping there seems no particular point to its repeated use here.



Paul Dawkins and John Collin in 'Wuthering Heights'

That aside, *Wuthering Heights* offers the equivalent of a thoroughly good read. (A thoroughly good look?) Being an adaptation of a novel, dressed in period costume and photographed in studio and wide open English countryside, it is not quite what you would call an example of a strikingly new genre, of course. But then nothing much that I have seen in this "new" season is.

Despite all the predictions which have been piling up for a couple of years now, the cop shows have *not* petered out: great quantities of them are back, even if the American ones are beginning to look emasculated. Most of last week's *Starsky and Hutch* consisted of Travolta-style dancing with plenty of pleasingly shaped female bodies in satin shorts and split skirts—"jiggle" as a compensation for the violence which has now been purged from so many American shows.

BBC1 even has a new American import, *Most Wanted*, which is based on the activities of—wait for it—a special crime squad! Last week they dealt with an airline hijack. How about that for originality? They will be driving fast cars through big piles of cardboard boxes next, and *chasing cars with helicopters*. Thames's home-grown *Sweeney* on the same night came up with its most subdued and boring episode yet, all about the mid-life crisis of poor old Red, the burglar.

And tacitly admitting to a complete failure of the imagination, ATV (or rather ITC, their international body with a mid-Atlantic mentality and an appetite for programmes with all the spice and variety of airline meals) has brought back *The Saint* but with a complete lack of swank, swagger or style. They are reduced to borrowing from *The New Avengers* the habit of repeatedly featuring a Jaguar XJ6 to say "new" and "quality" because everything else about the production says "old" and "rubbish."

However, I have said before, and will no doubt say again before I give up this column, that British television with three channels a day to fill, 365 days of the year, would be working miracles if it could come up with even as many as half a dozen really original series and an equal number of original single plays, comedies, and so on each year.

Wuthering Heights is fine entertainment, and it is not alone. BBC1's *A Horseman Riding By* and London Weekend's *Lillie* both show distinct promise. It goes almost without saying that all three serials are transmitted on the same night (Sunday) though thanks to the Friday repeat of *Wuthering Heights* it is possible to see all three.

A Horseman Riding By looks set to prove yet again (*The Forsyte Saga* was one of the BBC's first proofs and is still the clearest example) that books from the second rank make better television than adaptations from great literature. This R. F. Delderfield story of a rural community in Edwardian Devon and its new young squire—all pony traps, bustles and ee bah goom—might almost have been written expressly to satisfy the escapist wants of urban television viewers in the late 1970s.

Lillie, written for television by the Edwardian specialist David Butler (*Disraeli* and *Edward VII* were both his), is a yarn about yet another of the Prince of Wales's mistresses. Again, the subject is about as hackneyed as possible, but again *it does look like making good*, though so far very slow, television.

If escapist relaxation is what you desire, and on lengthening autumn evenings it is precisely what many do desire, then Sunday is your night. It is to be hoped, however, that there is one genuinely new and original series among those still to come in this autumn season.

Bush

The Transfiguration of Benno Blimpie

by B. A. YOUNG

You do not see little fat Benno in the squalid scenes of his family life. His tough father takes time off to upbraid him for being fat and soft and solitary, and his shrewish Neapolitan mother tries to stop him eating so much as she bemoans her miserable lot. His grandfather shoos him away, so that he can pursue his attempts to rape a nymphomaniac schoolgirl, attempts that end with his murder and the theft of his month's security cheque. But Benno is not there.

He is lying in the middle of the stage in white overalls, as fat as the Michelin man, and his first words, like his last, are: "I am eating myself to death." As he does so, he fills in the spaces in the family pattern that are not shown in the other scenes. Though he is the butt of everyone's contempt and ill-humour, he has in fact been endowed by God (the family are practising Catholics) with an instinctive appreciation of fine painting, perhaps even a talent for it. This interests no one but himself. The world thinks he should be playing ball games of various kinds.

And this is the theme of Albert Innaurato's moving little play. It is not a new theme, the difficulty of sustaining an artistic leaning in a philistine world, but Mr. Innaurato's treatment of it is novel and persuasive. Poor Benno, to whom Robbie Coltrane gives more feeling than you would think likely as he lies there like a fat chrysalis, decides that the one talent he has made public, the talent for eating too much, must provide him with his death-sentence; you see him literally beginning to eat himself, having first been marked out into joints and provided with a meat-cleaver.

The use of the analogy is what distinguishes the poetic young American writers from the political young British ones; and in spite of the unlikeable nature of some of the action and the coarseness of the family's language, poetic is what this play certainly is. Mostly so in Benno's dialogue, where we are free from the sordid realm of reality and move freely in the territory of the mind.

The play is admirably performed by a well-cast company under the direction of Simon Stokes. Vincent Marzello and Lynda Marchal play the father and mother, Michael Poole is the creepy old grandfather, Madeline Church the 13-year-old. The designs—four contrasted areas lying side by side—are by Gemma Jackson.

Leonard Burt

Robbie Coltrane with Lynda Marchal and Vincent Marzello

Covent Garden

Das Rheingold

by RONALD CRICHTON

The later parts of the second *Ring* cycle have cast changes but there were none in Monday's *Rheingold* — which leaves only dribs and drabs to be said. Colin Davis was remarkably successful in forecasting the sweep and scope of the whole tetralogy while keeping the scale of this *Rheingold* within preludial bounds. *Rheingold* is "early" in two ways — in the context of Wagner's work as a whole and as part of the *Ring* whose writing and composition took up so much of his career. Some of the music (Freia's, especially) has a kind of freshness which was not to reappear, and this aspect of the score was finely realised.

With a set like Svoboda's for the Friedrich production it is presumably inevitable that the first two parts will be given on consecutive evenings. Yet this inevitably entails a certain amount of holding-back for *Walküre* for the singers' sake. One felt this on Monday with Donald McIntyre's Wotan and with Josephine Veasey's Fricka. He, as usual, had some forceful phrases (how well he shows *anger and frustration*) and she some expressive ones after the disappearance of Freia and her golden apples, yet neither would have given anyone hearing them for the first time much idea of their full Wagnerian potential. There is something to be said for the old solution of changing the singers of the big roles that recur.

The choicest singing came from Robert Lloyd as Fasolt—absolutely clear, even line, splendid tone-quality. Matti Salminen's brother giant Fafner was also good, as usual, but sacrificed more to characterisation without making more effect. Rachel Yakar's Freia earns her a chance to show Covent Garden audiences what a charming and stylish artist she is. Hermann Becht's *Donner* produced a volume of sound worthy of his mighty hammer-blow. Patricia Payne's Erda was imposing (if only the Coliseum Erda was able to appear like this at the front of the stage), the remaining performers were much as before, though the Rhinemaidens blended poorly in the first scene, where the mixture of amplified and unamplified sound is very nasty.

Festival Hall

Khachaturian

by DAVID MURRAY

The death of Aram Khachaturian last May seems to have lent new interest to Armenian music, and on Monday the Institute of Armenian Music presented a memorial concert for him. Loris Tjeknavorian conducted the London Symphony in the very early First Symphony, the familiar Violin Concerto and some of the innumerable dances from *Gayaneh* (omitting, with admirable restraint, the Sabre Dance). To all the music Tjeknavorian brought pressing energy and a precise beat; in the nature of the case most of the concert had to be extremely loud, though we had the revised version of the Symphony with a quiet ending to the first movement, and Tjeknavorian made a generous cut in the frenzied *Gayaneh* Lezghinka.

There was doubtless a felt need for a concerto which would combine the direct appeal of a Russian ballet score with a good deal of fierce *détaché* bowing on the G-string, and Khachaturian hit the mark resoundingly. It was interesting to learn from the programme that the second subject is "imbued with that spirit of melodic contour, modal inflexion and rhythmic shape typical of Armenian folksong"; I had always supposed it came straight from Grieg. Ruggiero Ricci attacked the work with the proper gutty ferocity, and a cajoling way with the high-register keening too. Apparently the melodies of the slow movement "look to the example of the *ashugs*," though the provenance of the climactic motif might seem to be the finale of *Madama Butterfly*. It would be pure fantasy to detect "Rustles of Spring" in the main Allegro vivace tune, and in any case the composer throws so many other things into the pot that it would be inept to seek for one single inspiration for the music.

Khachaturian remarked: "The most important thing in a composer is his personality, his aura"—and certainly his own manner is as identifiable as, say, Mantovani's. It was interesting to hear the elements of the manner being tentatively assembled in the First Symphony, his graduation exercise, and more interesting still to find that its first movement is indeed articulated more or less symphonically. (The structure begins to crumble thereafter, and the hectic Finale needs a lot of leaping Georgians to hold it together.) Tjeknavorian clarified such polyphony as there is in it quite expertly, and the London Symphony played up with shameless glee. A particular pleasure in the Concerto, besides Ricci's panache, was the ethnic warbling of Roy Jowitt's clarinet behind him, exotic and exuberantly wild.

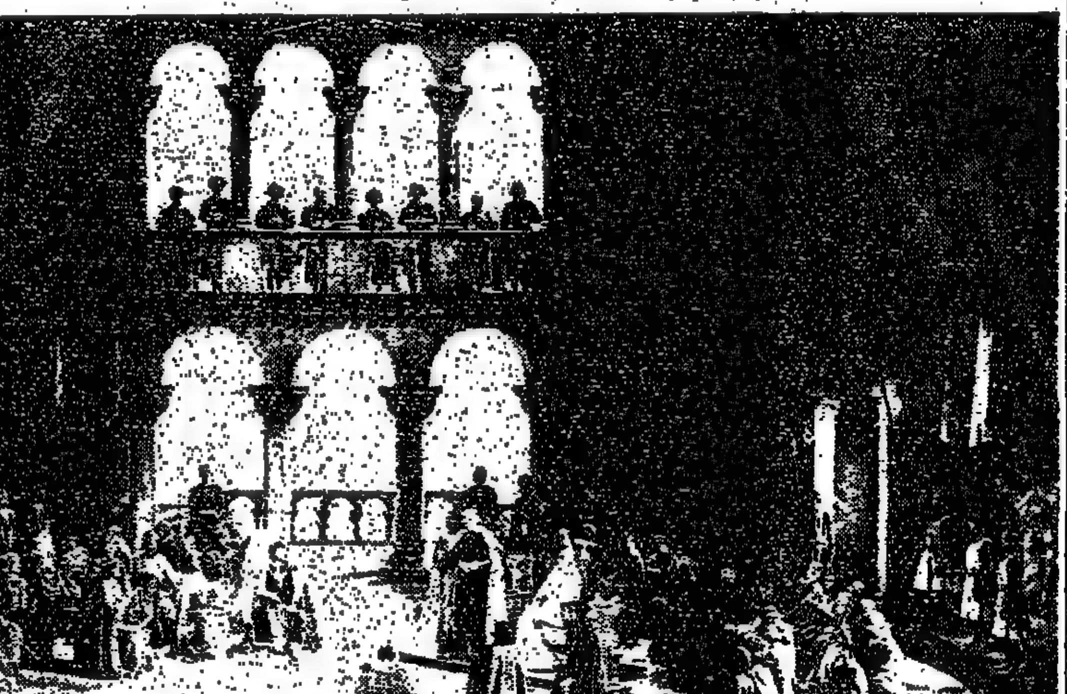
New York Opera

Opening productions by ANDREW PORTER

In an age of producer's vanity and folly, from which Wagner has been a particular sufferer, the Metropolitan *Tannhauser*, produced by Otto Schenk and designed by Josef Svoboda, shines as a beacon of good sense, romance, beauty, eloquence, and concern for what the composer intended. It opened the season with some new singers in principal roles. Teresa Zylis-Gara's Elisabeth is admirably conceived, at once impetuous and dignified. The voice is a little slow to speak: every sustained note tended to be a swell, and the Prayer lost impetus. But her tone was fresh, full, and pure, and she gave a very pleasing performance. Tatiana Troyanos was a rich-voiced Venus. Neither lady's German was quite sharp-cut.

Tannhausers are not thick on the ground today, and when James McCracken fell out the Met was lucky to secure Richard Cassilly. His timbre often develops an ugly snarl, but—as we know from Covent Garden—his intellectual and dramatic command of the role is complete. Kurt Moll made his Met debut as a grandly imposing Hermann. From last season there was Bernd Weikl's ardent, romantic Wolfram, spoiled only by some out-of-tune patches, and Kathleen Battle's sweetly sung and winningly-phrased Shepherd. The chorus was strong but not yet quite as smooth and full of tone as it has been. Under James Levine, there was richer orchestral playing than any I heard in Britain's theatres this summer. Levine's Wagner moves so well that in this uncut version there were no moments when attention flagged.

I described the production last season. From curtain-rise on the Venusberg bacchanale to the final tableau it faithfully follows Wagner's instructions—not as a museum reconstruction of quaint 19th-century stage methods but with all the resources of modern stage-craft and lighting. It recreates the pictures, the imagery, the actions described in his score and in his production-book and, so-to-speak, built into his score. Instead of contradicting the music, it reveals the sense of it. I doubt if one could hear today a musically superior performance of the piece. And I'm sure one could not see it better done.



The Hall of Song in the Met's 'Tannhäuser'

The second night of the season was a new production of *Billy Budd* by John Dexter, designed by William Dudley, conducted by Raymond Leppard. It is a striking and spectacular presentation, played on a cross-section of the *Indomitable* which can rise to reveal five decks one above the other. Peter Pears's Captain Vere is even more convincing than it was 27 years ago. James Morris makes full sense of Claggart for the first time. Richard Stilwell on the first night rather overdid the boyishness by which he sought to warm his naturally reserved stage personality; he came dangerously close to principal-boyishness. I'll keep back a fuller review until I have also seen the new San Francisco production of the opera.

The New York City Opera began its season with a run of Victor Herbert's *Naughty Marietta*, which played to full houses. Then came *Andrea Chenier*, with the producer-designer team of Nathaniel Merrill and Robert O'Hearn. It was decently done, with Marilyn Zschau (last season's hit as Minnie in *La fanciulla*), Ermanno Mauro, and Richard Frederick in the main roles. But *Chenier*—which is formally, harmonically, and politically all over the place, a sprawl of ingredients that Puccini later tidied into *Tosca*—needs a Caniglia, Gigli, and Becchi, or a Tebaldi, Del Monaco, and Bastianini to set the pulses stirring. The plain presentation might have suited a serious opera about the French Revolution, but in this work the great issues are treated as little more than local colour, and so *it needs more help than it got here*. The next new production was of Rossini's *Il turco in Italia*, with Beverly Sills and Donald Gram. Or, rather, of *The Turk in Italy*—translated into English by me, and so I must leave William Weaver to report on it.

Arts news in brief

The Arts Council has offered Photography Awards to seven photographers for the year 1978-1979. With this scheme, now in its sixth year, awards are made to enable photographers to take the time to undertake specific projects or to continue work in progress.

David Larcher, of Stanhope Gardens, London, SW7, has been offered an award to continue his work on photographic phenomena. Isabella Jedrezejczyk, who lives in North Shields,—has been offered an award to continue her work on the urban and industrial landscape of the Newcastle area. An award has been offered to Boyd Webb, of Heneage Street, London, to enable him to continue his work in staged studio scenes.

An award has been offered to David Chadwick, of Withington, Manchester, to enable him to complete a project in the city of Manchester, documenting its people and events. Andy Earl, of Matlock, Derbyshire, has been offered an award to complete a project on "society" events all over the country. An award has been offered to John Davies, of New Ollerton, Notts, for a landscape photography project. Edward Hawke, of East Ham, London, has been offered an award to complete a collection of photographs and to publish them.

★

Tim Rice and Andrew Lloyd Webber are set to become the first lyricist-composer team to have three musicals running simultaneously in the West End.

A new production of *Joseph and the Amazing Technicolor Dreamcoat* opens at the Westminster Theatre on November 28 with Paul Jones as Joseph.

Evita is at the Prince Edward and *Jesus Christ Superstar* at the Palace, Cambridge Circus, last night became the longest running musical in British theatre history.

★

BBC 2 is devoting an unusually large amount of time to arts programmes—in particular musical ones — this autumn and winter. Each Saturday night *In Performance* will present opera, ballet or a concert.

This month Welsh National Opera's production of Janacek's *Makropoulos Case*, with Elisabeth Söderström as the protagonist, will be shown. In November, Scottish Opera offers *Dido and Aeneas*, from Aix-en Provence, with Dame Janet Baker, while a film version of Puccini's *Tosca* features Kabaivanska, Domingo and Milnes. During December Munich's new *Lohengrin*, directed by Everding and starring René Kollo, tops the bill.

Other attractions include Kent Opera's production of Monteverdi's *Orfeo* staged by Jonathan Miller; Britten's *Albert Herring* in a co-production with PBS of America from St. Louis; Wagner's *Meistersinger von Nürnberg* produced by Götz Friedrich from Stockholm; Peter Hall's staging of *Così fan tutte* from Glyndebourne; a triple bill from the Royal Ballet, Covent Garden; Roland Petit's ballet version of *Cyrano de Bergerac* from Marseilles; and Glen Tetley's *Pierrot Lunaire*.

On Sunday evenings, *The Lively Arts* features programmes on Joan Miró, Joaquin Rodrigo, Evelyn Waugh, Ibsen, Tolstoy, Maria Callas, Luciano Pavarotti, Paul Robeson, and Itzhak Perlman.

★

For the past five years the directors of H. M. Tennent have presented, in memory of Hugh "Binkie" Beaumont, £350 to the most promising young director outside the West End.

This year's award went to Bill Alexander, for his production of *Class Enemy* at the Royal Court and productions for the RSC at The Warehouse and The Other Place.

Helping Tennent's directors, Arthur Cantor and Nick Salmon, to select the winner were critics Michael Billington (Guardian), Ann McFarren (Time Out), Irving Wardle (Times), B. A. Young (Financial Times) and TV producer, Barry Hanson.

FINANCIAL TIMES

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Common sense arithmetic

PAY POLICY may or may not be dead, but anti-inflation policy remains: and unrestrained wage claims against a background of firm fiscal and monetary policies will do the greatest damage to employment. If workers insist on pricing themselves out of jobs. there will be more unemployment, less growth and lower living standards, realistic wages are essential if growth is to be sustained.

That was the heart of the Prime Minister's message to his opponents in the labour movement yesterday—a somewhat chastened movement after Monday's excesses, which had the sense to resist attempts to "democratise" the party by giving its self-appointed activists life-or-death powers over MPs. A government, as Mr. Callaghan reminded them, is responsible to the electors, not the party.

Smudged

This is robust common sense, and the Prime Minister's firmness must be applauded: but it is a pity that in one important sense he smudged his placard. He and the Chancellor have spoken at the conference as if fiscal and monetary policies designed to reduce inflation were an alternative to pay policy. This implied threat was first deployed by Mr. Roy Jenkins just under 10 years ago, after another Labour Government defeat at the hands of the unions, and the results were unfortunate, for the movement and for the country. It was bad reasoning then, and it is bad now.

The fact is, of course, that sound monetary policy, and a fiscal policy consistent with monetary objectives, are essential at all times if inflation is to be avoided. The idea that sound policies are simply an or'' .. deterrent deceives both unions and governments. The unions are led to believe that sound policies are anti-union, and should be resisted politically; governments may believe, as Mr. Heath did, that given a pay policy, they can safely kick over the monetary traces.

So long as these beliefs are kept alive, the educational job which a pay policy must at heart achieve is far more difficult than it need be. The lesson of recent years is as clear as it possibly could be: monetary explosions, whether of wages or credt, do damage.

Mr. Callaghan's message would have been still more effective if he had said simply that the Government must stick to policies which demonstrably worked, and asked again for union co-operation in securing the best results from those policies.

So far as pay policy is concerned, it is now clear that the whole fracas will result, as we have suggested, in urgent efforts to get co-operation between the Government and the TUC on a more flexible approach. Given the damage threatened by the present rigid 5 per cent rule, this could be an improvement, but the search for such compromises is always dangerous. One danger is the emergence of a formula which looks reasonable, but which in fact drives up costs and compresses profits. Any percentage-plus-productivity formula courts this danger.

A looser approach, centred on a credible target for reduced inflation, and asking the TUC to oppose demands clearly inconsistent with this, would probably be more promising, as the CBI has suggested, and a reform of the bargaining round would be more productive than any amount of over-simplified arithmetic. Finally, the government must avoid offering yet more political hostages to secure a policy which is in everybody's interests.

Cannot wait

Meanwhile, monetary and fiscal decisions need not wait for the outcome of any such bargaining; indeed, the first decision, on the rolling forward of monetary targets for the second half of the present financial year, can hardly do so. An anti-inflation policy suggests a further gradual reduction in the rate of monetary growth.

Such a reduction may not be easy to achieve. The rapid growth of consumer demand has now been followed by an encouraging upturn in investment plans, so that private sector demand for credit is likely to remain well above the levels foreseen in April. This demand has already prevented the forecast fall in interest rates, and so threatens to raise the cost of debt service far enough to push expenditure above target. On the other hand, revenue should also be above forecast. The autumn assessment will show whether monetary restraint can be achieved without some check to consumer and Government spending. If fiscal policy and monetary targets prove inconsistent, fighting inflation must come first.

An EEC aspect to mergers

THE GERMAN Federal Cartel Office's ruling against British Petroleum's deal with Veba, the West German energy group, was the third occasion this year on which attempts by leading British firms to acquire a controlling interest in another EEC company have been blocked by national authorities in West Germany or France. Last week, the French Government frustrated Lucas Industries' agreement to buy from the U.S. Bendix group the remaining shares in Ducellier, the French electrical components manufacturer; while earlier this year the German Supreme Court confirmed the Cartel Office's prohibition of GKN's acquisition of Sachs, the leading German motor component firm.

The three cases are not all on the same footing. The BP-Veba and GKN-Sachs deals were banned on anti-trust grounds, while Lucas's bid for full control of Ducellier ran up against the French Government's plans to build up a major French-controlled motor components grouping. Indeed, whereas the German authorities were motivated by a desire to head off a potential reduction in competition, it could be argued that the French Government's insistence upon a "French solution" for Ducellier will result in a diminution of competition by reason of the association which already exists between Ferodo, the French company which has now undertaken to buy out Bendix, and Bosch of West Germany.

Concern

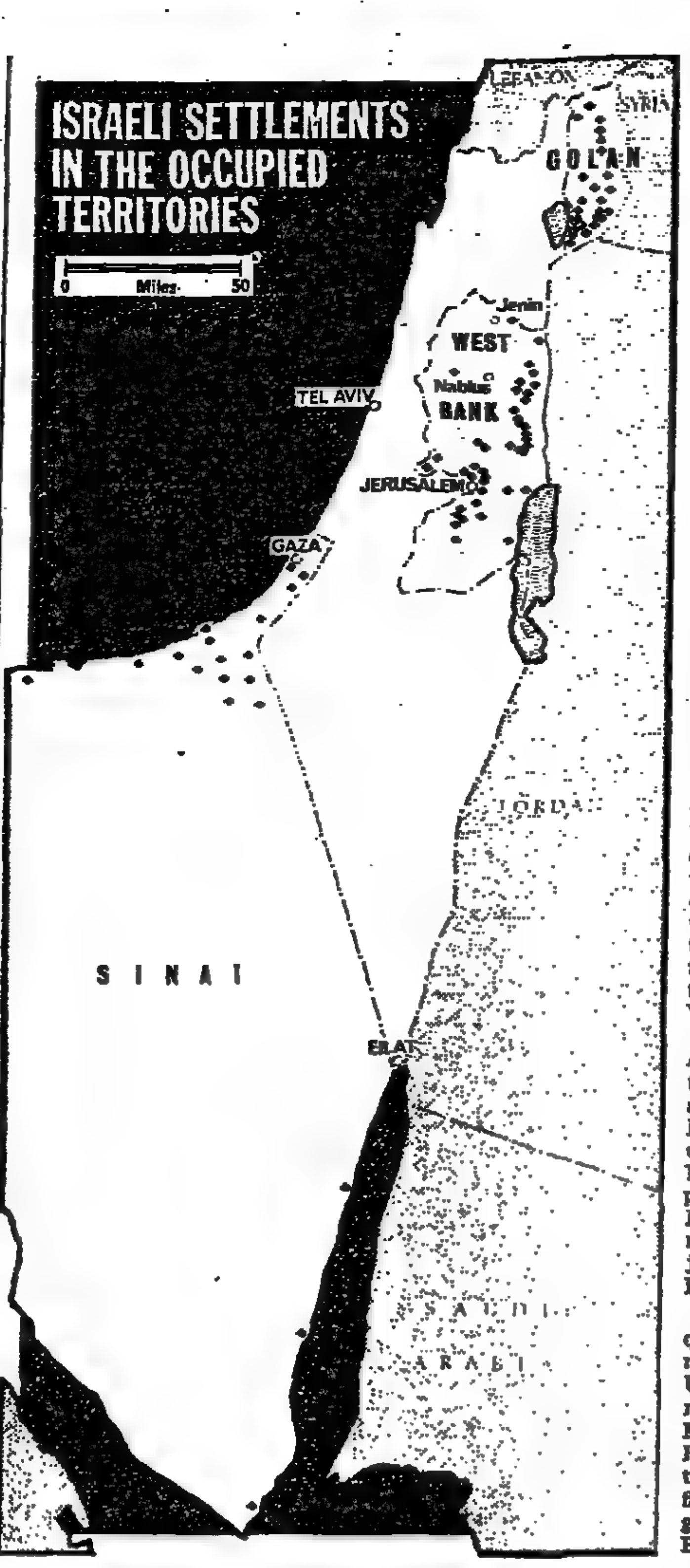
A common thread can however be seen in all three decisions. They were taken in the light of considerations wholly national in character: if there were any arguments to be made from a wider European perspective, they were not or could not be considered. As a result, a further obstacle may have been added to the thicket of legal and tax difficulties and the problems of reconciling differing managerial styles which have lain across the path of cross-frontier mergers within the EEC. If economic integration in the Common Market is to lead, as many believe and expect, to some re-structuring of industries on a Europe-wide basis, it will inevitably involve the larger companies which arouse most concern among the makers of national anti-trust and industrial policies.

Wider consideration

Motor components is a good case in point. The emergence of larger and stronger European component makers is desired by their customers, the vehicle manufacturers: it could help the European components industry to develop markets in the U.S., and in the course of time it could loosen up the national monopolies which have been built up in the past.

This is not something which would necessarily be facilitated by an EEC mergers policy.

The Veba and Sachs decisions reflect a general tendency towards a more rigorous approach to industrial concentration on the part of national authorities, not only in West Germany where a new Competition Bill is now before Parliament, but also in Britain, France (where a system of merger control was instituted for the first time last year) and in several other EEC countries where the need for a mergers policy has been under discussion. There would therefore seem to be a case for developing ways in which wider European considerations could be weighed in the administrative procedure which at one stage or another forms part of the merger control system in the three EEC countries presently operating one. It may be right to be more sceptical about the alleged benefits of mergers, but it would be a pity if some of the benefits that might accrue were to be lost because competition policy was being interpreted on too parochial a level.



THE MIDDLE EAST AFTER CAMP DAVID

Now the host of problems starts crowding in . . .

BY DAVID BUCHAN in Washington

PEACE NEGOTIATIONS between Egypt and Israel are due to start this month in Washington and the Carter Administration is still publicly optimistic even about the intractable issues of the West Bank and the Gaza Strip.

But the inevitable problems in the wake of the Camp David agreements are fast crowding in. Some 100 Palestinian leaders from the West Bank, including several mayors, this week rejected the limited self-government offered them under the Camp David agreement, while at the same time the U.S. Administration is faced with the increasingly difficult problem of how to bring Jordan into the West Bank negotiations, as explicitly provided for at Camp David, without torpedoing those negotiations before they even start.

King Hussein has told the U.S. that, before he sits down at any bargaining table, he wants clarification of the Camp David agreements on a range of points he considers crucial to Arab and Palestinian interests, and a commitment from the U.S. that it will act as "a full partner" in any negotiations to set up the proposed new transitional government on the West Bank.

In an interview broadcast on American television on Monday the King said he had been taken aback by the speed with which Egypt was moving ahead to conclude a separate treaty with Israel. He had not been properly consulted over Camp David, and therefore felt "no moral or legal obligation" to join in any subsequent West Bank negotiations.

As examples of the pointed questions he has been putting recently to Mr. Cyrus Vance, the U.S. Secretary of State, and his roving Middle East ambassador, Mr. Alfred Atherton, King Hussein queried why the transition period had to be as long as five years; whether the geographical definition of the West Bank should not include Israeli-annexed east Jerusalem; why there was no commitment on the future sovereignty of the West Bank as there had been on Sinai; whether there would be any Israeli troops or settlements on the West Bank after the transitional period, and so on.

The King called these "honest questions," to which he wanted "honest answers" from the U.S. Officials here take the tenor of these questions as a sign of genuine interest on King Hussein's part. But they are equally aware that blunt answers at this stage would so dispel the deliberate vagueness in the Camp David framework agreement as to undermine the negotiations from the outset.

In the U.S. view, there is no great harm in letting King Hussein sit out the initial round of West Bank negotiations. Egypt, and the U.S. for that matter, can carry the baton for Jordan in settling the initial issues: the scope of the new "self-governing authority," the means by which it will be elected, the partial pull-back of Israeli troops, and the abolition of the Israeli military government.

But when the elections are actually held, the U.S. would like to see Jordan use the fairly considerable influence it still has over the territory it ruled until 1967 to encourage West Bankers to participate.

On two issues, the U.S. believes it can provide some reassurance to Arab sceptics. U.S. officials regard as "idiosyncratic" Mr. Begin's view that at Camp David he committed Israel only to freezing new West Bank settlements for the duration of the peace talks with Egypt, due to be completed within three months. This view, they say, is not shared by other Israeli Ministers, notably Mr. Moshe Dayan, the Foreign Minister. It was, the Americans say, clearly established at Camp David that the moratorium would last until the self-governing authority for the West Bank was set up, and thereafter the Arab majority on that body would be in a position to control any new influx of Jewish settlers.

Central to the future behaviour of King Hussein and, to a lesser extent, of President Sadat, will be the attitudes taken by Syria and Saudi Arabia. That Syria would try to orchestrate some kind of Arab condemnation of the Camp David accords was considered inevitable in Washington. But U.S. officials say that much depends on how strongly this condemnation is worded. They deduce from the detailed interest in the Camp David agreements shown by President Assad in his recent meeting with Mr. Vance that Syria is not yet ready privately to dismiss them out of hand.

The Saudis, for their part, have made known their pique at not being consulted by Egypt and the U.S. over Camp David. But officials here scoff at reports that Saudi Arabia might retaliate by cutting off all aid to Egypt, which is at least $1bn a year, though they concede there might be a slowdown in the flow of this aid. The Saudis, the Carter Administration is confident, have too great a stake in the wider anti-Communist role of President Sadat in the region, and too great a political and economic stake in the U.S. to take any such drastic action.

The U.S. strategy now seems to be essentially to keep the Middle East in a holding pattern, while Egypt and Israel sign a peace treaty and the first talks on the West Bank start, if necessary without Jordan and with only a few Palestinian West Bankers. President Carter's call last week for a new international mediation effort to resolve the continuing crisis in Lebanon should be seen in this context. What lies behind it is an American fear that if Lebanon were to flare up, in the form of a serious Syrian-Israeli confrontation, this would gravely jeopardise negotiations on the West Bank.

Israelis acquiring a taste for the forbidden fruit of peace

BY DAVID LENNON in Tel Aviv

SURROUNDED as the Israelis have been by impassable borders for 30 years, most find hypnotic the idea of being able to get into a car and drive to another country. After the Camp David sumit and the Knesset approval of the "framework for peace" agreement, the forbidden fruits are within grasp: Cairo, the Nile, the Pyramids and the Sphinx are drawing closer by the day. As the expectation builds up, so all the greater will the disappointment be if peace proves to be a mirage.

The acceptance by Parliament last week of the Camp David agreement opens the way for a speedy conclusion of an Israel-Egypt peace treaty. The only real issue in the debate was whether Israel would evacuate some Jewish settlements from occupied Egyptian territory in order to make a peace agreement possible.

It was not easy for Israel to decide to give up the Sinai settlements. The tradition of Zionism was that settlements determine the future borders of Israel.

That tradition dies hard. It is difficult for the settlers to accept that the government which up to a few weeks ago was encouraging the creation of villages to defend the country now regards them as an obstacle to peace which must be removed.

But even some of these settlers are beginning to realise that the price they are being asked to pay is small compared with the reward. For a people who have never experienced peace, its full meaning takes time to sink in.

But they are beginning to believe that peace is possible. Their Prime Minister tells them repeatedly that Israel and Egypt could sign a peace treaty within two months, three at the outside.

This rising expectation within the country will increase the pressure on the government not to make any moves which could jeopardise the agreement.

"The appetite comes with eating," is a frequently heard expression in Israel, and it applies not only when the good Jewish mother is trying to persuade her brood to eat.

It proved to be the case in 1967, when the appetite for the territorial booty of that war overpowered the original plan of swapping the captured Arab land for peace. Indigestion caught up with the nation only in 1973.

The Egypt-Israel pact agreed at Camp David may have left few problems unresolved, but the framework agreement on West Bank and Gaza Strip largely ignores the real problems.

Israel believes that the West Bank is part of the biblical land of Israel, as well as being uncomfortably close to the densely populated coastal plain of Israel.

To Mr. Begin and his now thoroughly confused followers, the idea of giving up the West Bank has always been inconceivable.

At the same time, they are aware that the 700,000 Palestinians living on the West Bank simply will not fade away and cannot be driven out by force. It was this which led Mr Begin to produce his proposal for limited local self rule for the Arab inhabitants.

His autonomy plan, as it is called, was first presented immediately after President Sadat's astonishing journey to Jerusalem last November. At Camp David it was refined a little to give Israel slightly less control, and the Arabs slightly more.

But it does not come near to meeting the Arab demand that Israel withdraw completely from the occupied areas. And the emotive issue of Israeli control of Arab Jerusalem, which was annexed in 1967, remains as intractable as ever.

As long as King Hussein and the PLO reject the Camp David agreement, there is little likelihood that any West Bank or Gaza public figure would risk assassination by agreeing to participate in implementing the autonomy plan.

The Palestinians of the occupied territories want their independence free of controls by either Israel or Jordan and they see the Camp David agreement as merely offering a sop to these aspirations without fulfilling them.

Mr. Begin has already weathered the wrath of his own right wing, who for over 30 years followed his hard line policy espousing the right of the Jews to control all the biblical land of Israel.

Almost half of the Knesset members from his own Herut party, the largest faction within the ruling Likud bloc, refused to vote in favour of the Camp David agreement in the Knesset last week.

The most difficult problems still lie ahead, for the Americans have still to find ways to bring the Palestinians, the Jordanians and eventually the Syrians into the peace-making process.

The first step along this road would be to persuade Israel not to build any new settlements on occupied Arab territory. Such a development would be the starting point for persuading the Palestinians that peace is possible for them, too.

Deporting Palestinian leaders, blowing up their houses, arresting them in their thousands, hitting their training bases across the borders and indiscriminate bombing of their refugee camps have all failed to make the Palestinian problem go away. There have been more civilian Israeli deaths from Palestinian guerrilla actions in the first nine months of this year than in any whole year since 1967.

This pattern will continue if the Palestinians are not offered a reasonable settlement. And the high state of internal security required to combat these pinpricks will become increasingly irksome to an Israel tasting the first fruits of peace.

Israelis are still highly suspicious of the Arabs and many are very dubious about the prospects of peace. But if it works with Egypt, these reservations can be expected to ebb, to be replaced by a longing for similar arrangements on the other fronts.

It is this new mood which creates the hope that a comprehensive settlement may be reached.

MEN AND MATTERS

Tribunites celebrate

At lunch in Blackpool yesterday a colleague joined the Welsh Tribunite Neil Kinnock who was busy celebrating in a wine bar with some political allies including Jimmy Reid, the shipbuilders' leader and former communist.

"My cup runneth over," exclaimed a jubilent Kinnock about his election to Labour's National Executive Committee, accepting a further glass of champagne. In a shift to the left he and the irrepressible Dennis Skinner have replaced Ian Mikardo and Jack Ashley, a moderate.

Kinnock hopes that his new position will provide a power base for introducing what Tribunites are fond of calling "Industrial democracy in the Parliamentary Labour Party."

He is optimistic about his chances, insisting that "the resentment felt against executive government is a growing factor in all parties in parliament."

His colleagues refer affectionately to his "music hall patter" but Kinnock soon proves himself as thoughtful about parliamentary reform as he is unabashed about joining "rightists" who call for the next Olympics to be moved from Moscow: "I am fed up with mere choir chats about oppression being indefensible. It is a fundamental right of people to speak their minds, even if what they say is complete nonsense."

No to Europe

Mikardo, who is 70 years old, seemed downcast at not being able to spend one more year on the NEC before retiring. And an idea that he had first put forward—that the general elections and Euro-elections should be held simultaneously—also now seems only a remote possibility. Predictions that the two elections will take place next June 7 are less and less voiced in Blackpool. And what is increasingly striking Mikardo and others is the hostility by delegates to matters European.

Shirley Williams, the Education Secretary, found herself shouted down at the weekend when she started talking about delegates putting themselves forward for Euro-election. As for Mikardo, he thinks that the EEC's treatment of Britain means that even estimates of a 40 per cent poll in separate Euro - elections would prove optimistic.

If the elections were held together, he thinks, four in five voters might have taken the trouble to mark a second ballot paper. And why are Labour members so against Europe? "They think the Community stinks," says Mikardo succinctly.

"With our constant diet of dog-eat-dog, its a wonder the species survives!"

Short relief

Michael Foot was looking, if not cheerful, a great deal less glum after the Prime Minister's speech with its powerful phrases and curiously indefinite content. Only the day before Foot had been sounding grim warnings that the vote against the 5 per cent pay policy spelt the end of the Labour government. But yesterday he had sufficiently recovered his spirits to suggest that a better deal for the lower paid might do the trick. "I'm not saying that we can manage the £60 a week they want, but it might move in that direction," he told a colleague. But surely it was the quite-well paid unionists who presented the real challenge to the policy? "Yes," admitted Foot—and much of the glumness seemed to return.

Arab connection

A bill of over £2m for installing air-conditioning in a hotel obviously needs some thought and on Sunday the Dorchester's chairman, Lord Pritchard, and its managing director, Peter Stafford, flew to Marbella in Spain for the thought or two involved. It was only a brief trip. By Monday they were back and yesterday Stafford told me that they had spent until the small hours talking out the various plans they have for the Dorchester with a representative of the Arab group which bought the hotel two years ago.

The group still protects its anonymity behind the company Pageguide, formed in 1976 to purchase the Dorchester's shares for £9m. But its representative's identity is now known. He is the Syrian-born Mouaffak Al Midani, a man close to Crown Prince Fahd, first deputy prime minister and heir apparent in Saudi Arabia.

The Dorchester says that Midani has had a suite at the hotel since long before the Arabs bought it but no further details are available about the actual owners of the hotel or whether the Saudi royal family is directly involved. As for Midani himself, he too is secretive. Has a large villa in Cannes and a yacht which is said to rival that of the Onassis family. Not for nothing did a Nice paper, referring to the way the Arabs are now active on the French Riviera, compare them recently with the nationality which had built up the Riviera. Its headline on the Arabs: "Les nouveaux Anglais."

Wild in Wales

The Welsh are faced with a new threat—sheep. Welsh Development Agency chairman Sir David Davies says they roam into towns and "are at best a nuisance and at worst a danger to health and personal safety." The list of their crimes includes damaging cars, devouring garden produce, causing road accidents and overturning refuse bins.

The WDA is now starting a special fund to help local authorities while the Farmers' Union of Wales complains: "Welsh sheep are more adaptable and more cunning than most breeds of farm animals." Its spokesman, Gwilym Thomas, adds that "their capability at jumping fences is prodigious and a five-hour gate is nothing to the mountain sheep. If there is greener grass on the other side of any obstacle they take some stopping."

Tourist guide

If there are more confused visitors to London than usual, I may have an explanation. Early this week I was delighted to be handed a London bus route map at the ticket office of Hammersmith underground station. Cunard has a massive hotel nearby and jostling tourists seemed as pleased as the favoured Londoners. Why this generosity? I innocently enquired. "We've got a lot left and we're clearing them out," came the reply. "They're out of date."

Observer

Shipping: a picture of unremitting gloom

By IAN HARGREAVES Shipping Correspondent

WHEN THE editor of one of Britain's numerous shipping journals announced his departure recently, he referred in a valedictory column to the sense of relief at no longer having to search for metaphors to describe the industry's depressed condition.

Four years and probably no more than half way into the shipping slump, the imagination is indeed stretched. If the industry were to select a poet laureate, the ideal candidate would perhaps be the depressive Victorian Jesuit, Gerard Manley Hopkins, whose final, "terrible sonnets" would not cheer anyone, but might at least make shipowners feel understood with openings like:

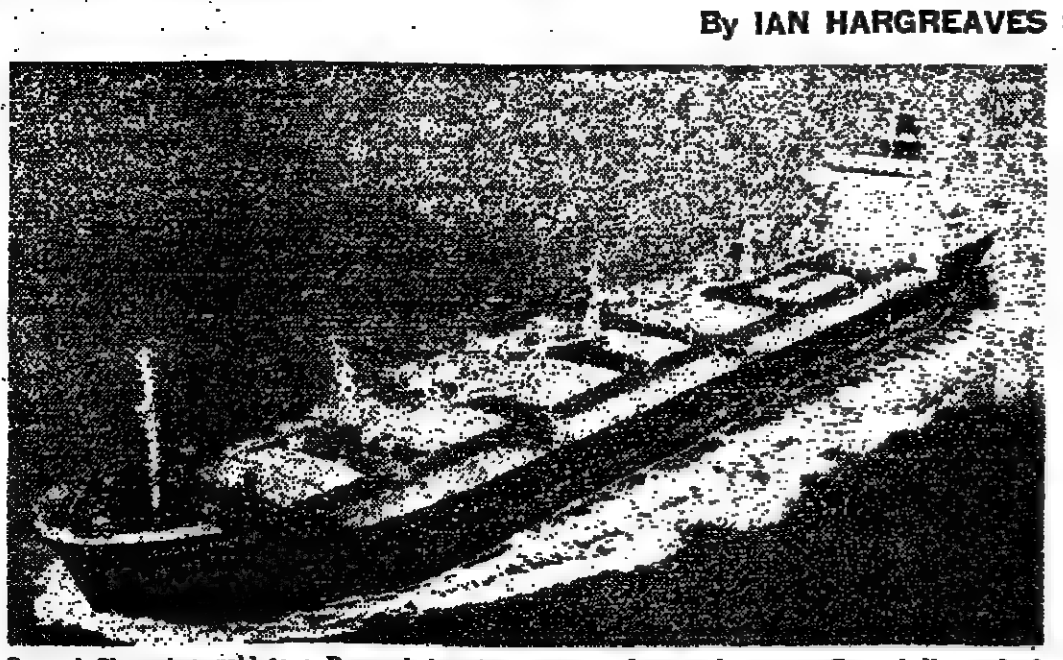
"No worst there is none.
Pitched past pitch of grief,
More pangs will, schooled at forepangs, wilder wring."

The industry is in just that position. It broods over the graphs of likely supply and demand and still is unable to predict with certainty when any solid improvement will occur. Not before 1980, virtually everyone agrees, probably not before 1982, and many believe not until 1985. The remorseless tanker market statistics show that there will still be a 30 per cent surplus of supply in 1982 and even beyond that date, it is hard to identify a certain course towards market equilibrium. There will undoubtedly be improvement in some segments of the market—for example in smaller tanker sizes—before this date, but that does not alter the general picture.

The conversion of unwanted tanker orders into dry cargo ships at a time of world trade recession has spread the symptoms of the slump right across the industry.

As the table shows, there are still substantial additions to the fleet in the pipeline and in this respect the position is now worse for dry bulk carriers and containerships than for tankers. A 10 per cent gross addition to the dry bulk fleet alone is due within the next two years at a time when even the higher levels of scrappings experienced this year are unlikely to mean a loss during that period of more than 30m dwt at best. Although 12m dwt of shipping has been sold for scrap so far this year, the continued depression of the steel industry, which is the main scrap user, is still holding down prices.

For companies wholly committed to bulk shipping and without the protection of very long term charters for their ships, the effect has been disastrous. The well-known collapses, such as Reksten and Colocotronis, have been far outnumbered by cases where effectively bankrupt companies have been given at least a temporary lease of life by their bankers or their governments.



Cunard Champion, sold to a Bermuda-based company a few weeks ago as Cunard disposed of its entire bulk carrier fleet.

West Europe's major liner companies have, because of their broader base and the shelter provided in at least some trades by strong conferences (the mechanism used by liner shipping companies to fix rates and levels of service) registered the impact of the crisis more slowly. But with their bulk-carrier interests creating a running sore, even operators like Nedlloyd of Holland or P & O and Ocean in Britain, have been unable to withstand the normal ups and downs of liner operations, such as port congestion, without a dramatic reduction in profitability.

There are a few pockets of stability, such as certain, highly specific roll-on, roll-off ferry routes, and some refrigerated container operations where it is difficult for newcomers to break in, but these are small in scale.

In the last year, there have been a number of international efforts to "solve" this shipping crisis, but all have failed. The industry's own tanker and dry-bulk pooling proposals — designed artificially to stimulate the market by creating a false shortage of supply—have foundered as most realists expected because the differences between individual owners' financial conditions proved greater than their desire to face common problems together. Equally, hopes that international concern about sea pollution would lead to compulsory changes in tanker design involving much reduced cargo capacity have proved illusory.

The latest and boldest effort is to seek the agreement of the world's shipowners, shipbuilders, banks and oil companies for a scrap and build plan designed to get rid of at least the 20 per cent surplus of tonnage in the world fleet without starving the shipbuilding industry to death in the process.

Individual governments in the main shipping countries have also become involved in dealing with the crisis, although the thrust of their policies often seems uncertain and there has been no effective international co-ordination of their contributions.

The oldest scheme, Norway's Guarantee Institute, continues to be buffeted in the country's political arena partly because of the uncertainty of the financial risks involved and partly because shipping is not an electorally popular subject in that or any other country. Japan has decided to finance an oil storage scheme which will take an almost insignificant 5m dwt of tankers out of service. Britain has responded with a small three-year debt moratorium plan designed to help, but on very tough terms, only the pure tramp-ship operators suffering from the worst of the crisis.

Part of the problem is that governments are not experienced in dealing with the financial side of the shipping industry, which has traditionally sought and thrived upon the minimum of government involvement in its affairs. Although the invisible earnings of shipping are of great importance to the economies of Britain, Greece, and the Scandinavian countries, it is difficult to formulate purely national solutions for an industry which is fundamentally international.

Shipowners recognise this and although they take a considerable interest in the shipping policy manoeuvres of governments, suspecting as they do the will in some cases towards nationalisation, their only unanimous desire is to see governments cut rather than subsidise their shipyard capacity.

There can be little doubt that the pressures of the slump, together with wider political pressures, are leading to significant structural changes in the industry. The share of the world fleet registered in OECD countries has fallen steadily in the last few years from over 80 per cent in 1974 to just over 54 per cent, with flag-of-convenience registrations (28 per cent) and developing countries (11 per cent) making gains.

Even without the slump, Western shipowners accept that the developing world's ambitions in shipping would have been gradually met, either through the normal bargaining processes or through the strictures of the United Nations liner shipping code and its 40 : 40 : 20 share-out between exporting country, importing country and cross traders.

But the severity of the recession has involved the destruction of the equity base of some shipping companies and the serious erosion of financial muscle in others. The ships these companies are being forced to sell are being bought up predominantly by the big Hong Kong-based flag of convenience operators and by the developing countries, notably China. Of the 41 ships reported as sold for further trading in August, for example, nine were for China, between 10 and 12 were for Hong Kong, with most of the rest going to other Far East interests and Greece. C.Y. Tung, the second largest of the Hong Kong companies, has recently bought 20 ships totalling 2m dwt.

The problem for Western owners is whether they can compete with this powerful combination of state-controlled developing country fleets—such as the pan-Arab United Arab Shipping Company — whose expansion is as much a matter of political as of commercial logic, and the Hong Kong owners who combine the advantages of cheap crews and relative freedom from trade union problems with formidable financial and operating expertise. When the recession ends, the ships bought by these owners at slump prices will make them more competitive.

The Japanese solved the problem of their own high crew costs by developing a strong relationship with Hong Kong, where owners bought ships and chartered them back to the Japanese. This system accounts for almost half of Japanese-controlled shipping.

The Norwegians, with the highest crew costs in Europe, would like the freedom to follow the same pattern, but are prevented by their trade unions and their government. In this situation they are urgently seeking to improve the profitability of their ships by cutting crew sizes by up to 25 per cent.

Diversification is now regarded as essential by all the bigger British shipping companies. Shipping remains, however, a valuable adjunct, notably because of the taxation advantages it permits, within a diversified group.

Certainly, the major Western and Japanese shipping companies give the impression that they are slimming down to survive the siege rather than planning to capitulate. In recent weeks, they have even had the encouragement of profitable tanker rates in the Gulf and slightly firmer dry cargo rates in some other areas. But as John I. Jacobs, the London broker, said in its recent tanker review, a slight breeze in the Gulf should not be confused with a trade wind.

Only by finding some way of sending a huge slice of the world's fleet to a premature scrapping berth can the industry speed its way out of the slump unless an unforeseeable event, such as a war, throws the statistical projections into confusion.

Saving such unlikely developments, the industry still has a long period of siege conditions to face. To take another Manley Hopkins first line: "Patience, hard thing!"

WORLD FLEET: DELIVERY PROGRAMME

(m dwt)

	Existing fleet	To be delivered	% addition to fleet
Tankers	325	20.2	6.2
Bulkcarriers	132.6	13.4	10.1
Combined carriers	48.4	2.7	5.5
Liquid petroleum gas carriers	4.6	1.9	41
Liquid natural gas carriers	3.5	3.7	105.7
Containerships (twenty-foot equivalent units	585,914	237,566	40.5
General Cargo (m grt)*	80	8.8	11

* FT estimate.

Sources: Lloyd's Register and H. P. Drewry

Letters to the Editor

Accounting policies

From Mr. D. Goch.

Sir,—It seems a great pity that so much of the comment on the accounting standards programme by Michael Lafferty (September 28) is concerned with finding more work for the Accounting Standards Committee when what is needed is an objective cost/benefit analysis of the real value of what has been done so far.

Some of the standards already promulgated hardly seem to justify the considerable number of man-hours that must have gone into their preparation (for example those dealing with the treatment of VAT, government grants, earnings per share and source and application of funds statements). The associated companies standard (SSAP 1) can be positively misleading in certain circumstances, while others (those dealing with stocks and work in progress and the treatment of research and development expenditure) have sought to apply a common accounting treatment right across the board without regard for the fact that accounting presentation often needs to be tailored to the circumstances of the individual industry or business.

Attempts to apply rigid rules in circumstances where they are clearly inappropriate have been rightly opposed by accountants and others within the industries concerned, and despite Michael Lafferty's obvious disapproval of the ASC backing down in this kind of situation I hope that the critics' voices will long continue to be heard.

He suggests in his article that too little attention is paid to the needs and views of the end-users of published accounts, but he wisely avoids attempting to identify this amorphous group. On a simple head-counting basis individual shareholders are probably the largest sector—and who knows what their requirements are or how you select their representatives? The most vocal group are probably the investment analysts who represent institutional and similar interests —and they are the ones who are best equipped to sort out for themselves what is not quite to their liking in the presentation of the accounts. In any event, they are often privy to information that is not readily available to the individual shareholders.

The most sensible standard of all is SSAP 2 — disclosure of accounting policies—and guided by this information in the annual report, all but the most fastidious investment analyst ought to be able to make an assessment to suit his purpose.

Rather than make a case for a larger ASC bureaucracy, we ought to be examining the possibility of a programme of phased redundancy in this area.

Desmond Goch.
4, Paddock Wood,
Harpenden, Herts.

Setting up standards

From the Deputy Chairman, Brixton Estate

Sir,—In his article on accounting standards (September 28), Michael Lafferty fails to differentiate between the setting up of an accounting standard and its subsequent enforcement.

The efforts of the British Property Federation to have the standard on depreciation amended in respect of property investment companies, to which he refers, only arose because the standard, as drafted, while probably suitable for the average trading company, was totally inappropriate to property investment companies if a "true and fair view" was to be disclosed.

If sections of commerce and industry with particular accounting problems are given the opportunity of working closely with the Accounting Standards Committee at the drafting stage, a sensible basis for the preparation of their accounts can be established. This, I believe, is what Mr. Tom Watts is proposing.

If, after this detailed consultation (in practice a very time-consuming business), the standard has the approval of the Accounting Standards Committee and the relevant interested parties, its enforcement will command general support. In other words, the essential is to get the "legislation" right before attempting to enforce it.

Harry Axton.
22-24, Ely Place, EC1.

Insider dealing

From Mr. B. Cole

Sir,—In the current discussion about possible legislation on insider dealings, one important aspect is, I believe, being neglected. The basic principle of such legislation is that it is unfair (and will be criminal) for me to make a profit on share dealings if I have knowledge not available to the general public, that is, actual and prospective investors.

At the same time, there are movements to encourage worker shareholders, and to improve the communication between managements and work forces. If I am a worker shareholder in a well-managed company, where my managers keep me informed about the company's performance and prospects, am I not always an insider?

What is the solution? Should my manager keep me in the dark about the company's prospects, should I never buy or sell shares in my company, or should I be arbitrarily defined as a non-insider (provided, of course, that I am not a director)?

My own preference is for management communication, against worker shareholdings and against the worst excesses of insider dealings. I am sure other views are reasonably possible, but it is surely not reasonable to treat these three subjects as if they did not overlap.

B. A. Cole.
"Drake Wood,"
Devonshire Avenue
Amersham, Buckinghamshire.

Monetary system

From Mr. J. Carr.

Sir,—I agree with the view expressed in the Lombard column on September 20 that there has been a remarkable lack of informed public discussion of the Franco-German proposals. It is not even clear to me whether intra-EEC exchange rates, once fixed, are supposed to remain the same for ever, or whether parity changes will be provided for. It seems to me that, unless small changes in parities are allowed at fairly frequent intervals, pressure will inevitably build up for larger changes when disequilibrium has become apparent. Expectations of such adjustments from time to time would cause outbreaks of speculation against the weaker currencies that might be just as damaging as the present uncertainties.

On the other hand, a system that permitted limited adjustments at frequent intervals—say ½ per cent a month or 1 per cent a quarter—could easily be accommodated by private operators in the forward market without any need for central bank intervention, if the monetary authorities allowed interest rates to move freely within the limits implied by the permitted parity changes. All that is needed is to keep differences in national inflation rates below the maximum tolerable difference between interest rates in European financial centres. This could be done without undue disadvantage to borrowers in high interest countries if capital movements within the EEC were freed, as the British company (for home buyer) faced with high rates of interest on sterling loans could raise a loan in Deutschemarks or Guilders at a lower rate of interest. No doubt somebody would insure him against the exchange risk if he wanted to minimise uncertainty. Or he might take a loan denominated in European units of account, at an intermediate interest rate that should be reasonably stable and the same in all EEC countries for borrowers of equal standing.

After a generation of exchange control we seem to have forgotten how efficiently free markets can work, provided governments intervene when necessary to maintain orderly conditions. This can best be done by avoiding the need for sudden large adjustments which confer windfall gains and losses on holders of the right/wrong currencies at critical times. It is rather sad to reflect that an earlier British Government published a White Paper in the middle of a world war to promote discussion and understanding of the negotiations at Bretton Woods from which the IMF emerged.

J. L. Carr.
56, Bournemouth Drive,
Herne Bay, Kent.

Middle East settlement

From Mr. A. Kaye

Sir,—In your leader of September 25 you state that Mr. Begin's next task should be to tell his country that in the end, all the settlements in all the occupied Arab lands, should be dismantled.

It is both possible and feasible that at some future date Mr. Begin—or more likely his successor—would have to do just that. But I seriously question the expediency of doing this now.

Had Israel been a colonial power which could withdraw away from the scene, such a move would be justifiable on both moral and practical ground. But this is clearly not the case with Israel and the West Bank. Here you have not only close geographic proximity but also deep-rooted animosity. Surely the best way to ensure permament stability in the area would be to encourage a Palestinian leadership in the West Bank, with strong local interests, which would be inclined to try to achieve the most out of peaceful relationship with Israel. Such a leadership could only evolve during a transitional period of supervised autonomy in the West Bank.

If Israel were to declare now a total withdrawal and the dismantling of all her settlements in the West Bank, the PLO would inevitably move in to fill the vacuum created. Such a situation would be perilous and intolerable in the Middle East, and all the more predictable in view of the PLO's record.

Adam Kaye.
34, Elm Tree Road, NW8.

Generating power

From Mr. G. Hockley

Sir,—Professor Grant (September 29) asks us to compare a one-in-a-million chance of a serious nuclear accident or the statistical certainty that about 50 miners will be killed next year producing coal.

To avoid his own charge of "rabble raising polemics" Professor Grant should compare like with like. In this case the chance of accidents in generating electric power by coal or by nuclear power. As a Professor of Nuclear Power he must be aware that the mining of uranium is a dangerous occupation exposing the miners to radon gas as well as presenting many more hazards in processing and in disposal of the radioactive tailings.

G. C. Hockley
(Senior Lecturer in Economics),
University College,
PO Box 96, Cardiff.

Ecological concern

From Lord Beaumont of Whitley.

Sir,—If Professor Grant (September 29) accuses Mr. Morgan-Grenville of attributing to the nuclear establishments, beliefs and motives which are not supported by the evidence, he should not use the same tactics himself.

Professor Grant says that "it has been suggested that the nuclear industry is under attack as a conspicuous first target in a general attack on technology as a whole." He then, with no further evidence, assumes that this suggestion is true and that it involves the Green Alliance. It is not true of the overwhelming majority of those who are ecologically concerned and it is in no way true of the Green Alliance.

We wish to see technology used to the full for the good of mankind. But it must be appropriate technology. Inappropriate technology includes that which pollutes, that which is dangerous and — possibly most important of all — that which can only be organised in units so big and important that they can easily be controlled by small numbers of people and therefore are either at risk from saboteurs or have to be guarded in ways which threaten civil liberties.

The nuclear power industry clearly falls in to the last category and probably into the first two as well. That is what we are making a fuss about and that is why we want our electric light, which we value as much as does Professor Grant, to be provided from clean, renewable and devolved sources. It may not be possible yet, but that is the way we must move.

Beaumont.
The Green Alliance,
1, Hampstead Square, NW3.

Facts on funds

From Mr. R. Lancaster

Sir,—I must confess to some amusement on reading Mr. Smith's letter (October 2) which, in part, seems flatly to contradict mine in an adjacent column. I am not sure whether he is entirely serious but, if so, several of his points may be quite forcibly answered.

It is accepted that the National Association of Pension Funds publishes an annual survey of members' practices, but I think it arrogant to pretend that this makes all others superfluous. Neither the questions asked nor the analyses of answers by sub-groups necessarily accord with all needs. Also, some people want information now and not "early next year."

Mr. Smith claims that pension fund managers are always happy to give information to those entitled to receive it. He omits to add that many — between one-quarter and one-half, if my recent experience is typical — take a fairly illiberal view of who is so entitled . . . and Mr. Smith will have to accept that I am not a publisher of commercial directories!

This sizable minority is exemplified by one well-known Scottish company, which replied that ". . . it has been found necessary to restrict the completing of questionnaires to those received from the NAPF, Government sources or with the backing of either of the aforementioned."

I would suggest that Mr. Smith overrates also the amount of information given to members of funds. One does not need to be an expert to realise the woeful ignorance of most of the working population over pensions. Members' apathy is certainly one factor — pensions are commonly regarded as one big turn-off. In part, the apathy is psychological in that people do not like being reminded, however subliminally, of the inevitable aging process, but apathy is also induced through information being presented uninterestingly or incomprehensibly, if at all.

This failure is, in my view, only partly due to non-accountability. Pension funds, unlike most commercial operations, do not as a rule gain or lose customers through success or failure in communicating clearly and there is thus less pressure in this area. They might, however, usefully learn from the closely-related life assurance industry which, largely because it does experience market pressures, has significantly reduced the use of technical jargon such as the notorious "reversionary bonuses compounded quinquennially" which means just about nothing to the average customer.

I would not wish to suggest that these criticisms apply throughout the pensions industry. Many pension fund managers reply most helpfully to what, admittedly, are unsolicited surveys. Many are actually pleased when members of their funds display active interest. I think however, it is futile for Ken Smith to intimate that such attitudes are near-universal.

R. Lancaster,
34, Napier Court,
Ranelagh Gardens,
Hurlingham SW6

The future job market

From the Secretary and Chief Executive, The Institute of Chartered Secretaries and Administrators.

Sir, — The Institute of Chartered Secretaries and Administrators is most appreciative of Michael Dixon's warning (September 21) about the future job market for accountancy-trained graduates or those otherwise qualified professionally in narrowly based financial subjects. We agree with Mr. Dixon's forecast and welcome the publicity he has given to it.

It has long been our contention that graduates and highly qualified young people whom it is essential we should attract into commerce and industry should keep their options for management development open for as long as possible and should not tie themselves to narrow technologies.

If doctors start as general practitioners and then narrow their focus to become specialists, why is it that in commerce and industry we try to do it the other way round? If we start with narrow techniques on entry, we can scarcely be surprised if, at a later stage, it is hard to find competent generalists! My institute favours the approach of the medical profession.

B. Barker
16, Park Crescent, W1.

Today's Events

GENERAL

Labour Party conference continues, Blackpool.

President Giscard d'Estaing starts four-day official visit to Brazil—will include trade talks.

Janata Parliamentary Party starts three-day meeting in New Delhi—possible cabinet changes.

Mr. Zbigniew Brzezinski, President Carter's special security adviser, in London for talks with UK Government.

IMF monthly gold auction in Washington.

Crown Agents Tribunal resumes, Government Press Centre, Little St. James's Street, SW1.

Sir Leslie Murphy, National Enterprise board chairman, statement of half-yearly results (January to June).

Mr. Edward du Cann statement on Reports of Committee of Public Accounts, House of Commons.

Mr. C. J. Chetwood, chairman, George Wimpey and Co., speaks on "The necessity for a free construction industry within the British economy" at Westminster Chamber of Commerce lunch, Inter-Continental Hotel.

EEC delegation in Hong Kong for trade talks.

Management of New York Times and Daily News meet for talks to end 55-day strike.

Miss Monica Dickens at Foyles lunch, Dorchester.

Sir Peter Vanneck, Lord Mayor of London, at Institute of Chartered Accountants lunch, Moorgate.

COMPANY RESULTS

Final dividends: Capseals, Cope Allman International. Interim dividends: Beauford Group, Finlay Packaging, Higgs and Hill, Hiltons Footwear, Holt Lloyd International, Rockware Group, Sanderson Kayser. Interim figures only: London and Scottish Marine Oil Company, News International.

COMPANY MEETINGS

Acrow, S. Southwharf, W, 10. K. G. Boardman International, 7, Charlotte Street, Manchester, 12. Haslemere Estates, 4, Carlos Place, Mayfair, W, 12.

SPORT

Golf: Dunlop Master, St. Pierre.
Tennis: Pernod Trophy, Stevenage.
Show Jumping: Horse of the Year Show, Wembley.

COMPANY NEWS + COMMENT

Cape Inds off £1m but sees some recovery

FIRST-HALF 1978 turnover of Cape Industries rose from £77.22m to £87.43m but taxable profits were down from £6.73m to £5.63m. The results, the directors say, are much as expected, but they remain reasonably confident that the group will make some progress in restoring profit levels during the second half.

Profit for the whole of 1977 fell from a peak £13.94m to £11.62m.

Reporting on the six months, Mr. R. H. Dent, chairman, says that group sales were 13 per cent higher despite continued low demand for asbestos fibre, and while fibre demand has not shown any marked improvement, shipments are expected to show an improving trend which should be reflected in the results for the second half.

	Half-year 1978 £000	1977 £000
Turnover	87,426	77,221
Bldg and insulation	58,479	49,205
Automotive and eng	28,417	21,585
Mining	11,571	17,947
Less inter-group	1,000	2,516
Profit	9,595	9,783
Depreciation	2,938	2,355
Trading profit	6,960	7,429
Bldg and insulation	3,635	2,298
Automotive and eng.	1,234	1,722
Mining	2,040	3,302
Share of associates	51	*105
Interest	1,327	700
Pre-tax profit	5,633	6,729
Tax	871	1,202
ACT	399	345
Overseas †	442	857
Net profit	4,762	5,526
Extraordinary debit	87	4
Attributable	4,715	5,530
Preference dividends	4	4
Interim dividends	786	697
Retained	3,925	4,829

* Losses. † Credit. ‡ Includes additional payment for 1977.

The building and insulation division has traded successfully, he states, and profits in this sector were 37 per cent ahead of the corresponding period last year.

Lack of demand in the UK combined with industrial disputes has resulted in lower profits in the automotive and engineering division, he adds.

Pre-tax profit figure was struck after depreciation £2.94m (£2.36m) and interest £1.33m (0.7m) and was subject to ED 19 adjusted tax of £0.83m against £1.2m.

There was an extraordinary debit for the period of £87,000 compared with a £4,000 credit and £3.93m (£4.83m) was retained.

Earnings are shown as 20p (23p) per 25p share and the interim dividend is increased by 10 per cent from 2.9044p to 3.1948p net. Also announced is an additional dividend of 0.0804p for 1977 on the reduction in ACT—last year a 5.302p final was paid.

● comment

The slide in profits at Cape Industries has continued into the current year. Only the building and insulation division managed any growth. But the gains here were not enough to overcome the drop in margins in the automotive and engineering operations or the setback in the asbestos mining activities. The former was hit by very flat replacement demand in the first quarter as retailers ran down excessive stocks. This ended by about March and there was some recovery in the second quarter but not enough to help margins. The asbestos mining was also hit by general destocking within the trade. Cape has used the demand slump to close down an old mine and cut production rates. It has been progressively selling from its own stockpile which has been reduced by about half since the beginning of the year. Even at present levels, the stockpile is still high relative to the world demand. The outlook for the company is improving in the second half and it is likely that the full year figure will be around last year's £11.9m pre-tax. With the shares at 126p, the prospective p/e is 5.2 and the yield (assuming maximum increase) is 10.9 per cent.

HIGHLIGHTS

Armstrong Equipment continues to show excellent growth with profits in 1977-78 nearly £2½m higher at £8.7m and profits for the current year could be in the region of £10m. Lex also comments on the auditor row at **Sime Darby**. Elsewhere, profits continue to slide at **Cape Industries** but a more settled second half is in prospect. **Averys'** first-half profits are also disappointing with profits only 5 per cent higher but a number of non-trading factors have taken their toll. **Saga Holidays** is right in line with its prospectus forecast and prospects for the current year look equally bright while **Bunzl Pulp** now appears to be on the road to recovery following the slump in the second half of last year.

Ingall Industries at £0.35m

INCLUDING A half year contribution of £91,589 from the newly-acquired Thompsons (Funeral Furnishers), taxable profit of **Ingall Industries** grew from £253,429 to £346,786 in the year ended June 30, 1978.

Directors say the cost of financing the cash element of the acquisition has been reflected in the profit and the interest charge.

Turnover for the year rose from £3.63m to £4.25m, and after tax of £186,031 (£114,580), minority interests of £15 (nil) and an extraordinary debit of £26,915 (nil) attributable profit came out at £133,825 against £138,849 last time.

At halftime, when profit was ahead £21,000 to £102,000, directors warned that the improvement might not be maintained in the second half.

Earnings per 10p share are shown at 3.07p against 2.71p, and the final dividend of 1.26p net takes the total from 1.700039p to 1.87p.

	1977-78 £	1976-77 £
Turnover	4,246,914	3,634,090
Light engineering	1,733,320	1,573,624
Funeral furnishing	2,513,594	2,060,337
Operating profit	480,322	330,409
Engineering	221,984	190,558
Funeral	258,348	139,851
Bank etc. interest	27,102	14,479
Loan stock interest	3,633	3,725
Management expenses	100,891	76,778
Pre-tax profit	346,786	253,429
Tax	186,031	114,580
Net profit	160,755	138,849
To minorities	15	—
Extraord loss	*26,915	—
Attributable	133,825	138,849
Dividends	94,097	87,133
Retained	39,728	51,716

* Relates to closure of Droitwich factory.

Bunzl setback-hopes pinned on second half lift

THE DIRECTORS of Bunzl Pulp and Paper report first half 1978 sales down by £5m to £104.14m and taxable profits behind at £8.7m against £8.02m, but they expect the full year's profits to be in line with the £12.25m obtained in 1977.

The main areas contributing to the fall in profits were Bunzl and Biach AG, paper trading in the UK and overseas, and UK filter manufacturing. The directors add that the results, however, reflect a significant recovery from the very depressed conditions prevailing during the second half of last year.

Net profit emerged at £3.2m against £4.13m after tax £5.5m (£3.80m) and after minorities and extraordinary items, the attributable balance came out at £3.15m compared with £3.7m last time.

Extraordinary items comprised currency gains of £0.74m for the period (£0.28m losses) and a debit of £0.3m (£0.46m credit).

Before the same items earnings are shown as 10.3p (13.4p) per 25p share and 12p (14.1p) after. The net interim dividend payment is increased to 3.162p (2.86p) and an additional dividend is also announced of 0.029p for 1977 on the reduction in ACT—last year's final was 2.043p.

The group's UK cigarette filter results were adversely affected by the continuing move to simpler filters which caused further staff reductions: the Burnley factory had to be closed in August.

Overseas filter operations had a good half year, the directors say, with increased turnover and profits. The non-filter activities of these companies also increased, and had satisfactory results.

The pulp and paper merchanting side, however, had a difficult period with a substantial reduction in profits.

The Fay group of companies results would have been maintained at last year's levels, the directors say, but for losses incurred in Nigeria.

Bunzl and Biach AG incurred a loss against a small profit last time, but results have significantly improved over last year's poor second half, and are much better than anticipated at the start of 1978.

The packaging and plastics companies improved considerably during the first half, with flexible packaging and spirally wound tubes in the UK doing particularly well, the directors add.

On July 7, 1978 agreement was reached with Reed International to acquire the business and assets of Coated Specialities for £2.8m, the results of which will be consolidated into the group as from August 14. The directors say the purchase will expand the group's range of laminated self-adhesive materials for the graphic arts industry.

	Six months 1978 £000	1977 £000
Sales	104,144	109,171
Trading profit	7,232	7,388
Share of associates	1,097	1,756
Interest, dividends	548	878
Pre-tax profit	8,703	8,016
Tax	5,505	3,891
Net profit	3,198	4,125
Minorities	469	687
Extraord. credits*	443	190
Making	3,154	3,698

* Currency gains £742,000 (£278,000 losses) and £297,000 debit (£430,000 credit).

● comment

Bunzl is starting to put last year's second half profit slump behind it. While the latest first half figures are down on the same period last year they show substantial improvements on the six months to December 31. A major factor in the turnround is the better than expected result from the Austrian subsidiary, Bunzl and Biach. Austrian paper mills export about 70 per cent of their produce and thus are very vulnerable to changes in world demand for paper and paper products. At the beginning of this year the outlook was bleak but as it progressed there was a noticeable upturn in world demand. This, coupled with the strengthening of the local management team, left losses substantially lower. The associate companies continued to perform well, domestic filter results were not bright but the packaging and plastics companies recorded good improvements. The outlook for the rest of the year is brightening and pre-tax profits around last year's level of £12.23m have been forecast by directors. The share price is 99p giving a fully taxed prospective p/e of 5 and a prospective yield (assuming maximum increase) of 8.4 per cent.

Diamond Shamrock Europe

A LOSS before tax of £536,000 was incurred by the Diamond Shamrock Europe group for the year ended February 28, 1978, compared with profits of £1.95m in the previous year. Turnover amounted to £58.18m against £53.47m.

The directors of the group—formerly Lankro Chemicals—said at the time of the offer from Diamond Shamrock Corporation last November that the year's profits would be significantly lower than 1976-77. First-half profits had dropped from £948,000 to £400,000.

In accordance with the terms of the Diamond Shamrock offer, no dividends are to be paid—a three-for-one scrip has already been proposed.

The loss is struck after higher interest of £733,000 (£538,000) and associate's loss of £229,000 against profits of £100,000.

Tax charge is £24,000 (£1.02m) and the attributable loss is £1.08m against a £1.32m profit after extraordinary debits of £716,000 (£404,000 credit).

Esperanza Trade expects better year

In spite of setbacks during the current year, Lord Kissin, chairman of **Esperanza Trade and Transport**, considers current development promises a resumption of progress and he has every confidence that this will be expressed in profits.

The directors are optimistic about present trading and are looking forward to better results than in the previous year.

For the year ended March 31, 1978, profits before tax were down from £5.32m to £3.03m on turnover and fees of £38.38m against £35.24m. International services contributed £3.3m (£3m) to profit with copper and pyrites producing a £27,000 loss (£470,000 profit).

The copper mine in Cyprus has nearly ended its useful life and apart from the level of copper prices, contributions from this source are starting to diminish, the chairman says.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Armstrong Equip.		1.46	—	1.3	2.26	2.03
Averys	int.	2.15	Dec. 1	1.93	—	5.87§
Bankers' Invest Tst.	int.	0.5	Nov. 30	0.5	—	2.55
Bunzl Pulp	int.	3.16	Nov. 29	2.83	—	4.92‡
Cape Inds.	int.	3.19‖	Nov. 3	2.9	—	8.21
Diamond Shamrock		Nil	—	0.67*	Nil	1.32*
Estates and General	int.	0.5	Nov. 29	0.3	—	1
Ingall Inds.		1.26	—	1.14	1.87	1.7
Park Place Invest.		0.82	Nov. 30	0.73	1.12	1
Saga Holidays		4.5¶	—	—	4.5	—

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Additional 0.029p for 1977. § Includes additional 0.05876p. ¶ As forecast in March prospectus. ‖ Additional 0.0804p for 1977.

ISSUE NEWS

Yorkgreen call to buy rest of Interlite

A rights issue to raise £174,500 is proposed by the directors of Yorkgreen Investments so that the company can acquire the 50 per cent stake it does not already own in Interlite Linear Controls for £150,000 cash from the American Louver Co. of Illinois.

Yorkgreen was an investment trust launched in 1972 and managed by a subsidiary of Heenan Spark, before Heenan ran into trouble and went into liquidation. In 1976 Heenan's near 30 per cent stake in Yorkgreen was sold to the Italian International Bank, and later in the year, Mr. David M. Green, the current chairman, bought the shares from the bank.

The management of Yorkgreen was taken over by Bishopsgate Progressive Unit Trust Managers, an authorised unit trust operated by stockbrokers Kitcat and Aitken.

Terms of the rights issue are one-for-one at 12p per share. In the market Yorkgreen's shares eased ½p to 15½p.

In the 12 months to April 1978 Interlite, which is a supplier of lighting diffuser panels, made pre-tax profits of £70,966 on sales of £493,622. It has net assets of £115,994.

Yesterday Yorkgreen produced its interim figures for the year to April 30. They showed profits (including the share of the associate) at £5,779 (£9,383). After tax of £11,937 (£7,837) the company incurred a loss of £6,158 (£1,726 profit). Again there is no dividend.

The proposed expansion of Interlite will entail Reddrand, at present a subsidiary of Yorkgreen, becoming part of Interlite.

The acquisition is subject to shareholders' approval at a meeting on October 30. If not approved the proceeds of the issue will be used to expand Yorkgreen's investment portfolio.

If the acquisition is approved the directors expect to pay a dividend of 0.333p per share this year. Interlite's management accounts show a profit of £30,000 for the first four months of its current year.

Kitcat and Aitken has underwritten the issue, apart from the directors' entitlements. Full documents will be posted on Friday and dealings start nil paid next Monday.

HECTIC START FOR PAWSON

The resumption of dealings in W. L. Pawson got off to a dramatic start yesterday.

Most of the activity was in the new shares, offered by way of rights at 38p each. They opened at a 5p premium over the rights price and shot up to 24p before settling back to 20p (nil paid) by the close.

Meantime, the existing ordinary shares, suspended last July at 42p, opened at 56p and then rose to 64p before closing at 60p.

During the time of its suspension, Pawson finalised arrangements for two acquisitions worth £1.68m, a £¾m rights issue and a £1.1m term bank loan.

The company is forecasting pre-tax profits of £400,000 for the 14 months ending next February.

RIGHTS RESULTS

Hill and Smith's double rights issue of ordinary shares and mortgage debenture stock has been taken up as to 88.23 per cent of the ordinary shares and applications were received for £817,812 of the £1m of stock before excess applications.

Greene and Company has sold the balance of the ordinary shares, and excess applications, which exceeded the stock available, have been reduced on the following basis. Applications for up to £2,000 will be allocated in full; £2,100-£5,000 receive £2,100; £5,100-£10,000 receive £2,500; £10,100-£13,000 receive £3,000; £13,100-£39,000 receive £3,500 and application for more than £39,100 get 9 per cent with a maximum of £13,900.

Ratners rights issue has been taken up as to 97.98 per cent and British Printing Corporation's issue has been taken up as to 90.16 per cent. In both cases the balance has been sold and the net proceeds will be distributed to entitled shareholders.

Yearlings rise to 10½%

The coupon rate on the local authority one year bonds rose from 10¼ to 10½ per cent this week—the highest level this year. The bonds are issued at part and mature on October 10, 1979.

This week's issues are: St. Edmundsbury Borough Council (£½m), Mole Valley District Council (£½m), Llanelli Borough Council (£½m), Vale of Glamorgan Borough Council (£½m), London Borough of Hammersmith (£½m), London Borough of Hillingdon (£1m), Newbury District Council (£½m), Northamptonshire County Council (£½m), Preston Borough Council (£½m), Borough of Sunderland (£1m), Metropolitan Borough of Wigan (£1m), Birmingham District Council (£3m), Borough of Chesterfield (£½m), Medina Borough Council (£½m), Northavon District Council (£½m), Crawley Borough Council (£½m), Gravesham Borough Council (£½m), Oldham Metropolitan Borough Council (£1m), Aylesbury Vale District Council (£1m), East Lothian District Council (£½m).

RESULTS AND ACCOUNTS IN BRIEF

BUFFELSFONTEIN GOLD MINING COMPANY—Results for June 30, 1978 year already known. Fixed assets R178.4m (R181.12m), current assets R27.22m (R25.91m), liabilities R42.6m (R39.02m). Meeting, Johannesburg, October 23.

SMITH WALLIS AND CO (metal window makers)—Results to March 31 1978 already reported. Group fixed assets £226,023 (£391,636), net current assets £949,503 (£740,355). Meeting, Birmingham, November 16 at noon.

MALAYSIAN TIN—Results to March 31, 1978 previously reported. Mining properties £1,002 (same), listed investment £80,759 (£30,499), net current assets £475 (£1,898). Meeting, 128 Cheapside, EC, October 25 at noon.

P. AND W. MACLELLAN (steel stockholders)—Interim dividend, 0.5p (same—total 1.3p) for 1978. Sales for half year to June 30, 1978 £3,881,000 (£2,687,000). Profit £39,000 (£48,000). No corporation tax is payable for the period. Board is confident profit in 1978 will show satisfactory improvement over last year.

ALVA INVESTMENT TRUST—Interim dividend, 3.1825p (2.585p)—Total 6.109p for year ended February 28, 1979. Pre-tax revenue £93,793 (£86,172) half year to August 31, 1978. Net asset value per share 207p (149.3p).

AMALGAMATED INDUSTRIALS—Accounts have been delayed. Directors expect to be in a position to announce results by October 3 and publish accounts by October 18.

M.L. HOLDINGS—AGM postponed from October 6 to October 24 because not sufficient notice given for convening meeting.

FLAG INVESTMENT COMPANY—Gross revenue £201,132 (£381,818) for the six months to December 31, 1977. Pre-tax profit £96,132 (£276,619). Tax £49,989 (£143,275). Earnings per share 0.50p (1.44p), net asset value per share 79.78p (84.24p). Interim 0.5p net (1.3p). Company is wholly owned subsidiary of Anglo-Continental Investment and Finance.

REUNION PROPERTIES COMPANY—Gross income for the June 30 1978 half-year £1,146,996 (£1,110,448). Pre-tax profit £834,181 (£709,871). Tax £442,065 (£367,712). Retained earnings £412,116 (£342,159). Company is a subsidiary of Jardine Matheson and Co of Hong Kong.

WILSON PECK—No Ordinary dividend (same) for the year to March 31, 1978 and no Preference dividend for the six months to November 1, 1976. Turnover £301,434 (£117,378). Loss £15,436 (profit £10,673) after tax credit £12,709 (debit £4,218). Loss attributable £16,173 (profit £6,733). Loss per share 1.73p (earnings 0.72p).

NORTH BRITISH CANADIAN INVESTMENT COMPANY—Interim dividend 1.25p (1p), and final not less than equal to 1.7p (same) for year to February 28, 1979, forecast. Pre-tax revenue half year to August 31, £177,398 (£120,428). Tax £57,183 (£43,898). Earnings per share 1.8p (1.3p). Net asset value per share [illegible]

INTERNATIONAL INVESTMENT TRUST COMPANY OF JERSEY—UK dividends £26,830 half year to June 30, 1978. Foreign dividends £9,030. Profits on dealing £14,500. Deduct foreign tax £900. Net rental income £7,038. Deposit interest £5,900. Deduct management expenses £7,500. Income tax £10,770.

CLARKSON INTERNATIONAL TOOLS (subsidiary of Thorn Electrical)—For year to March 31, 1978. Turnover £40,145,000 (£24,158,000). Pre-tax profit £3,164,063 (£1,456,000). Tax £1,549,000 (£807,000). Dividends nil (£28,000).

GLOVER AND MAIN—Turnover March 31, 1978 year £102,140,000 (£82,280,000). Pre-tax profit £5,552,760 (£2,795,239). Tax £2,459,949 (£1,287,775). Ordinary dividend absorbs £1.2m (£550,000). Fixed assets £6.9m (£5.42m), net current assets £10.75m (£9.7m). Company is subsidiary of Thorn Electrical Industries.

ZETTERS GROUP (football pools and bingo)—Results for year to March 31 1978 reported September 8 with prospects. Group fixed assets £2.49m (£2.13m), net current liabilities £1.01m (£0.3m). Bank overdraft £286,546 (nil). Year end net liquid funds down £0.9m (£89,237). Meeting, 86/88 Clerkenwell Road, EC, October 25 at 11.30 am.

JANTAR—No dividend for 1977 (same). Loss £65,131 (£11,806) after tax of £18,162 (£3,700). Attributable loss £173,132 (£9,074). Group profit is arrived at after debiting an extraordinary item of £183,139 representing a write down of the company's investment in its associated company.

JAMES WALKER GOLDSMITH AND SILVERSMITH—Results to April 30, 1978 reported Sept 14. Fixed assets £4.27m (£3.78m), current assets £12.82m (£11.03m), liabilities £3.23m (£3.52m). Estimated £6m surplus on book value of properties not included. Year has so far shown worthwhile increase in turnover. Meeting, Streatham High Road, SW, October 25, at noon.

EXCALIBUR JEWELLERY—Results for April 30 1978 year reported September 12. Fixed assets £291,782 (£255,537), net current assets £3,341,457 (£2,875,502). Net liquid funds increased by £257,054 (£388,171 decrease). Meeting, Birmingham October 25, noon.

THE PRACTICAL INVESTMENT FUND—Final distribution on income units of the Practical Investment Fund for period September 28, 1977 to September 26, 1978, will be 3.341p net per unit payable on October 31, 1978 making a total of 5.092p (4.62p) net. The corresponding retention of income for Accumulation Units is 7.166p net for the period (6.305p). Offered price September 27, 1978, ex distribution, was 171.2p for income and 246.9p for accumulation units. Estimated gross yield was 4.01 per cent.

THE M. & G. SMALLER COMPANIES FUND—M. & G. Group has decided to rename the M & G Special Trust Fund the M & G Smaller Companies Fund with effect from October 2, 1978. It is felt this more truly reflects the nature of the fund. The M. & G. Smaller Companies Fund is designed to provide capital growth by investing in smaller companies and has a portfolio of about 70 holdings, some of them overseas.

AUSTRALIAN AND INTERNATIONAL TRUST—Results for July 31, 1978 year reported September 15. Investments at market value: Australia £3.40m (£3.08m), UK £2.23m (£2.01m), others £0.99m (£0.73m). Current assets £1.32m (£0.87m), liabilities £0.20m (£0.29m). Net liquid funds increased by £509,124 (£36,185). Meeting, 120 Cheapside, EC, October 24, 4 pm.

NEW THROGMORTON TRUST—Capital loan stock valuation 187.81p, as at October 3, 1978.

PHOENIX MINING AND FINANCE—Pre-tax profit £16,898 for half year to March 31 1978 (£93,493 including £45,908 credited in respect of further distributions received from liquidation of Australian Commonwealth Carbide Company). Turnover £569,490 (£242,084) (including £341,527 from personnel services for the period). Tax £8,957 (£3,008), leaving net profit £7,941 (£29,493), subject to investment provision. Attributable profit for full year anticipated to exceed that for 1976-77.

BARRINGTON HIGH YIELD FUND—Final distribution on income units for the accounting period September 22, 1977 to September 21, 1978 will be 6.65p net per unit (5.35p) payable on November 18. The total distribution for the year amounts to 10.9p (9.3). On the latest subscription day, September 28 the offered price of income units was 195.3p xd and the estimated gross yield calculated in accordance with the terms of the Deed of Trust was 7.47 per cent.

Armstrong Equipment shows £2.4m rise

PRE-TAX PROFITS of Armstrong Equipment advanced from £6.26m to £8.67m on turnover ahead from £67.43m to £83.66m, for the year to July 2, 1978. Profits for the 1976-77 year included an extraordinary profit of £156,000 on the sale of a trade investment.

The directors reported an increase at the interim stage to £4.03m against £2.71m, and said that results were on target despite a huge increase in industrial disputes throughout the automotive assembly industry and its suppliers.

Earnings are shown as 8.7p (6.5p) per 10p share for the year, after tax of £4.55m compared with £3.22m last time. The dividend is stepped up to 2.2646p (2.027p) net, with a final of 1.4646p.

	1977-78 £000	1976-77 £000
Turnover	83,655	67,427
Pre-tax profit	8,667	6,263
Tax	4,550	3,218
Net profit	4,117	3,045
Minorities loss	32	†5

† Profit

Net profit came out at £4.12m against £3.05m and there were minorities losses of £32,000 compared with £5,000 profits.

The directors state that the effect of retained income and a revaluation of some properties has increased shareholders' funds to £25.71m, while deferred tax has risen to £13.97m; a substantial part of which is likely, they say, to be incorporated into shareholders' funds during the 1978-79 year.

See Lex

Midterm rise for Swire

FOR THE first half of 1978 taxable profit of John Swire and Sons rose £0.8m to £14.5m after including exceptional profits of £1.4m compared with £1.5m last time.

The result is after interest of £1.2m (£0.7m), investment income of £1.1m (£1.3m) and associated companies profits of £8.2m (£7.7m). Tax takes £4.8m (£5m) and attributable profit is £9.4m (£8.6m after minorities of £0.1m).

In his annual statement Mr. J. A. Swire, the chairman, said the difficulties of the shipping industry had adversely affected the group's bulk carrier fleet, although liner and container trades continued to operate profitably. The outlook for its other businesses in the Far East remained fairly optimistic, he said.

The sterling figures for the half year have been converted at June 30, 1978 exchange rates.

THE TCR INVESTMENT TRUST LIMITED

The 52nd Annual General Meeting of the Company will be held on 26th October 1978.

FINANCIAL SUMMARY FOR THE YEAR ENDED 31st JULY 1978

GROSS INCOME:	£576,155 (1977—£536,337)
NET INCOME:	£274,895 (1977—£242,176)
DIVIDENDS:	Income Shares 22.65% (1977—19.68%)
	Capital Shares 2.265% (1977—1.968%)
NET ASSET VALUES:	Income Shares 59.39p (1977—55.42p)
	Capital Shares 250.00p (1977—208.44p)

DISTRIBUTION OF INVESTMENTS by MARKET VALUE: United Kingdom 70.6%, Australia 3.4%, Canada 5.2%, U.S.A. 14.9%, Far East 3.2%, Elsewhere 2.7%.

The following are extracts from the statement of the Chairman, Mr. J. V. Woollam:

It is proposed to pay a final dividend on the Income Shares of 14.07% (21% gross) making a total for the year of 22.65% (34% gross). This total compares with 30% gross paid last year and 26% gross paid in the year before. This year's Revenue Retention is £37,542. I must remind shareholders that the level of Revenue Retentions is influenced strongly by the need to ensure in 1980, when £762,000 of low coupon Loan Stocks are due for repayment, that the Trust's net income after that event is sufficient to maintain the then level of dividend payments. Despite this limitation on our distribution policy, I expect the Trust next year to be able to increase its dividend again.

During the Trust's financial year, the F.T. All Share Index rose by 19.47%; the Dow Jones Industrial Index fell by 3.1%; the dollar premium rose by 10.3% and the sterling/dollar exchange rate fell by 11%. The total net assets of the Trust rose by 12.4%. Of course in making these comparisons one has to remember that the Trust is not an all equity fund.

There have been modest variations in the geographical spread of the portfolio. Some South African gold shares were purchased during the year but your Board is not prepared to expose shareholders funds significantly to the political risks of South Africa. The continued strong performance of the U.K. market has affected the percentage figures as between the various markets and tends to mask the absolute level of portfolio investment in individual countries. Your Trust has been adding to its investments in Australia with a concentration on natural resources. Similarly our total investment in Japan, Hong Kong and the Far East is growing, almost wholly by way of investment in specialised funds. In both cases the results have been very satisfactory. The Canadian portfolio has seen greater and rewarding emphasis this year on oil and gas stocks. In the U.S.A. our portfolio has performed satisfactorily and a number of changes were made during the year with a view to increasing our exposure in companies with above average earnings potential.

Copies of the Annual Report can be obtained from the Secretary at the Registered Office: G.P.O. Box No. 3, 6 Caer Street, Swansea

FLAG INVESTMENT COMPANY LIMITED

INTERIM STATEMENT

Flag Investment Company Limited, a wholly-owned subsidiary of Anglo-Continental Investment & Finance Company Limited, announces the following interim unaudited results for the six months ended 31st December 1977.

	6 months ended 31st December 1977 £	6 months ended 31st December 1976 £
Gross Revenue	201,132	381,619
Profit before Taxation	96,132	276,619
Taxation	49,989	143,275
Profit after Taxation	46,143	133,344
Earnings per 25p Ordinary share:	0.50p	1.44p

The Directors recommend the payment of an interim dividend at the rate of 0.5p per share, without the benefit of any imputed tax credit.

For the year ended 30th June 1977, a first interim dividend was paid at the rate of 1.3p per share which, with the benefit of imputed tax credit was equivalent to 2.0p gross.

	31st December 1977	31st December 1976
Net Asset Value per share	79.78p	84.24p

THE NEW THROGMORTON TRUST LTD.

Capital Loan Stock Valuation—3rd October, 1978

The Net Asset Value per £1 of Capital Loan Stock is 187.81p

Securities valued at middle market prices.

Watmoughs (Holdings) Limited

35% profit increase

	Six months to 30 June 1978	Six months to 30 June 1977	Year to 31 December 1977
Turnover	£4 924 000	£3 807 000	£8 221 000
Profit before tax	£405 000	£300 000	£818 000
Earnings per share	5·59p	4·56p	12·26p

Outlook Group sales continue at a high level. 1978 expected to be another year of progress.

Copies of the interim statement to shareholders can be obtained from the Secretary, Watmoughs (Holdings) Limited, Idle, Bradford, West Yorkshire BD10 8NL.

ESTATES AND GENERAL INVESTMENTS LIMITED

Announcement of Unaudited Group Results for the Half Year ended 30th June 1978

	Half year to 30th June 1978	Half year to 30th June 1977	Year to 31st Dec. 1977
GROSS TURNOVER	£603,000	£864,000	£2,450,000
GROUP PROFIT BEFORE TAXATION	107,000	90,000	332,000
Estimated Taxation	63,000	47,000	206,000
GROUP PROFIT AFTER TAXATION	44,000	43,000	126,000
Deduct Preference Dividend	4,349	4,349	8,697
	£39,651	£38,651	£117,303

1. The above results do not include any contribution from County and Suburban Holdings Limited (C&S), which was acquired with effect from 1st July, 1978, but the results for the second half of the year will include those of C&S. The Directors anticipate that the results for the full year will show an improvement on the aggregate of the profits of C&S and E&G for the year ended 31st December 1977, which amounted to £525,000, before taxation.
2. The Directors have declared an interim dividend in respect of the year ending 31st December, 1978 of 0.5p per stock unit (1977 0.3p) on the 9,724,500 ordinary stock units of 20p each in issue prior to the acquisition of C&S. This dividend totals £48,623 and together with a tax credit of 0.246p per stock unit, amounts to £72,571. The Ordinary Stock Units issued in consideration for the acquisition of C&S will rank for the final dividend in respect of the year ending 31st December 1978.

The dividend will be paid on 29th November, 1978 to ordinary stockholders on the Register at the close of business on 27th October 1978.

Averys ahead £0.3m. to £6.7m at six months

FOR THE first half of 1978, taxable profits of Averys, maker of weighing, testing and measuring machines, advanced from £6.38m to £6.7m, on higher turnover of £54.65m against £47.52m, largely the result of inflation at home and overseas.

The result includes investment income of £140,000 (£125,000) and a share of associates' profits amounting to £92,000 against £74,000.

Mr. R. C. Hale, the chairman, says that the percentage increase of trading profit compared with that of turnover reflects the pressure of inflation on margins—earnings show an increase of 10.5 per cent against a 13.7 per cent rise in turnover.

Orders are remaining at a satisfactory level and the directors anticipate better results for the second six months, while the full year's profit should be not less than the record £15.4m for 1977.

The chairman explains that industrial action at the group's main weighing machine factory in Smethwick adversely affected both home and export sales and caused the profit of the weighing and testing machine division to be lower than that of last year.

The general products division, in particular, and the international division did well to make up this decrease, he adds.

Half-yearly earnings per 25p share rose from 7.4p to 8.2p and the interim dividend is stepped up to 2.15226p (1.92739p) net with a supplementary 0.03876p for 1977 also to be paid, following ACT reduction—last year's final was 3.88224p.

Attributable profits for the period improved from £2.76m to £3.04m, after a tax charge of £3.53m (£3.46m), minorities of £136,000 (£173,000) and £3,000 (£12,000) extraordinary credits relating to property changes.

• comment

Considering orders have been about one-third higher for most of this year, Averys' 5 per cent profits rise in the first half is disappointing. While margins have been strained by increased costs, non-trading factors have taken their toll. The industrial action at Smethwick, which affected production in the weighing and testing machine division over a six-week period, probably cost around £500,000 while adverse currency movements took away another £100,000. However, without any further industrial action, the position in the second half looks much more hopeful. Home demand for weighing machines has responded to the upturn in consumer spending while overseas sales and exports remain strong, especially in the Middle East and parts of Africa. The new digital electric scale continues to sell well in all markets. The shares yield a prospective 5 per cent at 191p.

Dividend rise forecast at Tor Inv.

A FURTHER increase in dividend is expected at Tor Investment Trust for the current year, Mr. J. V. Woollam, the chairman, says in his annual statement.

The increase will come despite the limitation imposed by the need for profit retentions to ensure sufficient net incomes to maintain payments after the 1980 repayment of £762,000 of low coupon loan stocks.

In the July 31, 1978, year when net income rose from £242,176 to £274,895 the dividend total was raised from 4.92p to 5.6625p net per 25p share.

Mr. Woollam says there were modest variations in the geographical spread of the group's portfolio in the year with some South African gold shares purchased. Investments in Australia were added to with a concentration on natural resources and the total investment in Japan, Hong Kong and the Far East is also growing mainly through investment in specialised funds. Changes were made in the U.S. to increase the group's exposure in companies with above average earnings potential.

Bowring in reinsurance company deal

C. T. Bowring, international insurance broking group, is forming a reinsurance company in Singapore, ICS Reinsurance, together with a consortium of other international insurance groups.

The new company will start operations with an authorised capital of S$50m (£11.5m), and will have an issued and paid-up capital of S$12m (£2.7m). Shareholders of the new group include the Insurance Corporation of Singapore, which holds a 30 per cent stake; others include the Bowring Group of London, the Pohjola Group of Helsinki and the National Insurance Company of New Zealand.

The underwriting and business development of ICS is to be run by the Reinsurance Management Corporation of Asia.

Saga meets forecast

PROFITS before tax of Saga Holidays, at £1.91m for the year ended June 30, 1978, are in line with the March prospectus forecast of not less than £1.85m and compare with £1.32m in the previous year.

Earnings per 20p share are shown at 16.65p (12.18p) and the dividend is the forecast 4.5p per 20p share. In the offer sale the directors expected to pay dividend in a full year totalling 6.75p with the interim in April and the final in November.

Having regard to the anticipated growth in overall volume, *the Board considers that current year profits will be satisfactory.*

	Year 1977-78 £000	1976-77 £000
Turnover	13,354	12,595
Profit before tax	1,908	1,316
Tax	977	655
Net profit	931	661
Dividends	270	30
Retained	661	631

The range of holidays offered was again expanded and 191,000 people took the group's holidays during the year. By judicious purchasing of foreign currency the group was able to give rebates to certain overseas holidaymakers before taking their holidays, totalling £164,000.

• comment

Saga's full-year profits are right in line with last March's prospectus forecast. But then Saga's *directors had a very good idea of* the full-year bookings while at this time of year it is almost impossible to tell what will happen. However there is no reason to suppose that the company will lose its growth image, because of its dominating position in the market for off-peak holidays for the aged. Last year the number of holidays taken rose by 18 per cent. It has strong links with clubs for the elderly and through its quarterly newsletter (on top of the traditional brochure) it keeps in close contact with its market. It also pays close attention to price, and supplements the return on its holiday operations by using clients forward payments *to earn interest with deposits* at local authorities and the banks. Of the latest profits the contribution from interest received is probably close to £1m. At 185p the shares stand on a p/e of 10.8 and yield 3.7 per cent—next year the yield will rise to nearer 6 per cent. Currently 80p above last March's offer price, the shares are up with events, though Saga should continue to show steady growth.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Beauford Group, F. C. Finance, Finlay Packaging, Biggs and Hill, Hiltons Footwear, Holt Lloyd International, Rockware, Sanderson Kayser, Triplevest.

Finals: Capseals, Cope Allman International.

FUTURE DATES

Interims:	
Allebone	Oct. 20
Bronx Engineering	Oct. 12
Bulmer and Lumb	Nov. 22
English National Investment	Oct. 24
Farnell Electronics	Oct. 10
Helene of London	Oct. 9
Howden-Stuart Plant	Oct. 9
Inter-City Investment	Oct. 10
King and Shaxson	Nov. 10
Martin-Black	Oct. 12
Marchwiel	Oct. 9
Selincourt	Oct. 12
Wettern Brothers	Oct. 17
Finals:	
Canadian Overseas Packaging	Oct. 6
Green (R.) Properties	Oct. 9
Kalamazoo	Oct. 18
Lockwoods Foods	Oct. 11
Oceana Consolidated	Oct. 6

Burns-Anderson sees profit advance

A FURTHER advance in profit is confidently expected by the directors of Burns-Anderson for the coming year, according to Mr. W. Burns, the chairman, in his annual statement with the accounts.

The confidence arises from their expectation that Knibbs' new retail outlets will move into profit, the additional manufacturing capacity at Lycett and Platt, and the anticipated increase in the contribution from joint companies.

As reported on September 21, pre-tax profits jumped from £433,453 to a record £820,920 for the June 30, 1978 year. The dividend is lifted from 1.45p to 1.619p net and a one-for-one scrip issue is also proposed.

Net liquid funds increased by £884,000 (£306,000 decrease) and net assets are shown at 62.4p (48.9p) per 10p share.

The group's associate, J.B.G. (Property) is now clear of constraints to develop some 750 houses at Wilmslow and over the next seven or eight years the directors expect a continuing and increased profit from this source, states the chairman.

Overseas, the position in Montreal is unchanged, but the steel bar conversion factory in Bahrain suffered a small loss mainly owing to operational difficulties. However, the Lycett and Platt subsidiary completed £0.5m of bankfitting work for the *Bahrain Monetary Agency* and several major Middle East banks at satisfactory profit margins.

During the year Knibbs, the group's motor car distribution subsidiary, opened four new branches in the north west, which boosted turnover, but gross margins from the new units were absorbed in expenses. The directors expect a good profit contribution in the coming year.

Mr. Burns explains that a significant feature of the year's expansion was the opening of its first Volkswagen/Audi dealership. This will be followed by the opening of another towards the end of the coming year and these new units will give the company added marketing strength.

The store and bank fitting companies both showed a considerable increase in profit, as a result of more work becoming available and also the volume of work undertaken in the Middle East.

K.B. Reinforcements again increased profit despite the low level of activity in the construction industry and both its subsidiaries had a very successful year. K.B. (Western) now appears set to make an expanding contribution to group profit, the chairman adds.

In April, the company disposed of its electrical wholesaling subsidiary, Melvin Electric, which had not shown the the progress expected of it.

In late August, the company purchased Olney Brothers and its associate, shop and store fitters, for £110,000—pre-tax profit to February 28, 1978, was £52,118.

Meeting, Manchester, October 26, noon.

Estates and General Invs. ahead so far

Although turnover at Estates and General Investments declined from £864,000 to £603,000, pre-tax profit rose £17,000 to £107,000 on the first half of 1978.

The results exclude any contribution from County and Suburban Holdings which was acquired with effect from July 1, but results for the second half will be included. Directors expect the aggregate profits of the two companies will exceed last year's combined total of £525,000 before tax. E and G's own profit for 1977 was £332,000.

The half year profit is subject to tax of £63,000 (£47,000), and after preference dividends of £4,349 (same) available profit is ahead £1,000 to £39,651. The interim dividend is lifted from 0.3p net per 20p share to 0.5p and will absorb £48,623. Last year a 0.7p final was paid. Shares issued in the C and S takeover do not rank for the interim payment.

Park Place upsurge

AS EXPECTED, profits before tax of Park Place Investments show a considerable advance from £219,000 to £430,000 in the year ended June 30, 1978 on sharply increased turnover of £2.04m against £1.44m.

The directors are confident that the group has now established itself at the higher level of activity and expect that the current year will again yield further progress.

Tax takes £140,000 (£72,000) giving earnings per 10p share of 6.1p against 3.2p. A final dividend of 0.8167p makes a maximum permitted total of 1.1167p compared with 1p previously.

Profit is struck after interest of £71,000 (£98,000). There are extraordinary debits of £35,000 (£[illegible]) and £202,000 against £37,000 is retained.

Spillers still talking to banks on loan terms

BY ANDREW TAYLOR

AFTER HOPES that negotiations would have been completed last month, Spillers has failed to meet its timetable for renegotiating terms of a £58m short-term loan facility.

Strict financial controls were placed on the group by a consortium of banks in return for the facility which was designed to assist Spillers' programme of bakery closures undertaken this year.

Spillers said yesterday that discussions were still continuing with the banks but that the renegotiations were now not likely to be completed before the end of November. This timetable had been mutually agreed with the banks.

The group said that the period for negotiations had been extended as the original timetable did not allow sufficient time to agree final terms. Spillers said that the discussions with the banks were "continuing in a very relaxed manner."

Under the terms of the facility Spillers has agreed to consult with its bankers on future dividend payment and capital expenditure. However, Spillers has said that the terms of the deal does not restrict management of the group.

Spillers is due to announce its interim figures around the end of this month.

Good start for Kursaal

Mr. Eric MacAdie, chairman of Kursaal Company, told shareholders at the AGM that a good start had been made to the current year and that profits for the first four months were ahead of the corresponding period.

The company owns the Dragonara Palace hotel and casino in Malta.

TUNNEL HOLDINGS DEBENTURE STOCK

The directors of Tunnel Holdings have decided to propose to stockholders the early redemption of the 5½ per cent debenture stock 1983/88 currently outstanding at a price of £93 per £100 nominal of the stock, plus accrued interest to the date of repayment. Formal documents, including the notice of meeting, will be despatched as soon as possible.

BUILDING SOCIETY INTEREST RATES

GREENWICH
(01-858 8212)
281 Greenwich High Road, Greenwich, SE10 8NL.

*Deposit Rate 6.45%. Share Accounts 6.80%. Sub'pn. Shares 7.85%. Term Shares 2 yrs. 1½% above share rate, 3 yrs. 1½% above share rate. Interest paid Quarterly on shares/term shares. Monthly Income shares 6.80%

LONDON GOLDHAWK
(01-995 2321)
15/17 Chiswick High Road, London W4 2NG.

Sub'pn. Shares 7.70. Deposit Rate 6.45. Share Accounts 6.95

BUNZL PULP & PAPER LTD
Interim Report 1978

Unaudited results for the half year ended 30th June 1978 and comparative figures for 1977 are

	Six months to 30th June 1978 £000	Six months to 30th June 1977 £000	Year 1977 £000
Sales	104,144	109,133	203,283
Trading profit	5,262	7,206	10,248
Share of associates' profit	1,897	1,786	3,531
Net interest and dividends	*548*	*976*	*1,526*
Group profit before taxation	6,701	8,016	12,253
Taxation	*3,503*	*3,891*	*5,770*
Group profit after taxation	3,198	4,125	6,483
Minority interests	*489*	*607*	*887*
Earnings for shareholders	2,709	3,518	5,596
Extraordinary items			
Currency gains/*losses*	742	*279*	*1,333*
Other	*297*	459	100
Earnings after extraordinary items	3,154	3,698	4,363
Earnings per share			
Before extraordinary items	10.3p	13.4p	21.4p
After extraordinary items	12.0p	14.1p	16.7p
Dividends per share	*Interim*	*Interim*	*Final*
Net to shareholders	3.191p	2.860p	2.045p
Gross equivalent	4.763p	4.333p	3.052p

Sales and profits for the first half of 1978 were lower compared with the corresponding period in 1977. The main areas contributing to this decline were Bunzl & Biach A.G., paper trading in the UK and overseas, and UK filter manufacturing.

After allowing for improved contributions from associated companies and reduced net interest paid, the Group pre-tax profit was lower at £6.7 million.

However these results reflect a significant recovery from the very depressed conditions prevailing during the second half of 1977.

The Directors have decided to pay an interim dividend for 1978 of 3.162p a share together with the promised extra 0.029p a share out of 1977 arising from the reduction of the basic rate of tax to 33%. This total interim dividend of 3.191p a share will be paid on 29th November 1978 to shareholders registered at the close of business on 27th October 1978.

Last year we made a forecast at this stage which proved to be too optimistic because of unexpected currency movements and a sudden downturn in some important parts of our activities. In the absence of similar unpredictable factors we would expect group profit before taxation for the whole of 1978 to be in line with that for the previous year.

BIDS AND DEALS

Hoskins rejects Talbex: 'no commercial logic'

BY TIM DICKSON

Hoskins and Horton, the Birmingham-based contractor, has rejected a takeover approach from the **Talbex Group**.

In a letter sent to shareholders yesterday, Hoskins chairman Mr. S. Lloyd says the activities of Talbex "are wholly different from those of your company" and he sees no commercial advantages in a merger.

Last night Talbex director Mr. Peter de Savary, speaking from Nassau in the Bahamas, said he did not accept or agree with the Hoskins statement.

While a spokesman for Talbex in London said a formal offer would be made to Hoskins shareholders in due course. He indicated that an announcement would probably be made in the next couple of days.

Talbex recently bought 29.2 per cent of Hoskins from the Bahamas-based Artoc Bank, of which Mr. de Savary is also a director. Artoc also holds 22 per cent of Talbex.

Yesterday's letter from Hoskins follows last month's announcement that Talbex had approached Hoskins with a view to making a bid.

Referring to the subsequent discussions Mr. Lloyd says Talbex saw advantages in the two groups working together in the export field.

Rejecting the possibility of a merger, Mr. Lloyd says Hoskins is already operating most efficiently on the export side of its business and, in addition, the joint venture in Kuwait with local partners is poised t begin production within the next three months.

The Hoskins Board has declined unanimously that there wuld be no further value in discussions with Talbex since a merger would not be in the interests of employees or shareholders.

The letter also points out that Hoskins' interim profits for the half year to June 30, 1978 increased by 56 per cent after interest and excluding exceptional items.

Mr. Lloyd comments: "This reflects an improving trend of trading profits over the last 18 months." He adds that the Board anticipages a very satisfactory outcome for the year as a whole.

WAGON MOVES INTO LEISURE

Wagon Industrial Holdings has completed the purchase of the capital of **Cotswold Coach Craft**, manufacturer of Windrush Caravans.

Wagon aims to use the new company as the foundation for the building of a leisure division.

As previously announced, total consideration was £300,000 satisfied by £275,000 in cash and the issue of 100,000 ordinary shares. These shares will not be entitled to any final dividend in respect of the year ended March 31, 1978, nor to any interim which may be declared in respect of the half year to September 30, 1978.

Application has been made to the Council of the Stock Exchange for the new ordinary shares to be admitted to the official list.

Cotswold Coach Craft manufactures a range of high quality towing caravans under the trade name "Windrush" at leasehold premises at South Humberside Industrial Estate, Grimsby, and at June 30, 1978, had net assets of approximately £145,000.

It is anticipated that trading profits before tax of Cotswold for 1978 will be not less than £100,000.

Bowater's £5m purchase

The **Bowater Corporation** has bought two forwarding, warehousing and Rhine shipping companies from a subsidiary of the Swedish **Brostrom Group** in a deal worth about £5m.

The two companies, Konigsfeld of Rotterdam and Roba of Basle, were both part of Incotrans of Holland, itself a subsidiary of Brostrom. The two groups have net assets of £5m and Mr. D. J. H. Slater, a Bowater director, said yesterday that the value of the purchase was roughly in line with net assets.

He added that the acquisition "marked a modest step forward in the way we want to go in the development of Bowater's transportation activities in north west Europe."

The purchase is being made through Bowater's Germany subsidiary, Rhenania Schiffahrts-und Speditions and its Swiss associate company Schweizerische Reederei und Neptun.

Sabah Timber moving into Ireland

Timber distributor **Sabah Timber** is planning to make its first acquisition in Ireland. The company which it has reached agreement to purchase is the **Moran Group**, a timber importer and building materials distributor with branches in Dublin, Cork, Limerick and Sligo.

Terms of the deal have not yet been decided as they will depend on a complete audit of the group for its year ended September 30, 1978. Any purchase price will be determined by the outcome of that audit, and no announcement is expected for another two months.

Moran's last reported pre-tax profits, for the year ended September 30, 1977, were £537,000. This figure excluded a building subsidiary, comprising of J. J. O'Bren and Premier Buildings. This will not form part of the sale and will remain with the Moran family.

Sabah said yesterday that the purchase will continue its policy of expansion and diversification.

SHARE STAKES

Dufay Bitumastic—C. Attwood, director, has bought 14,397 shares. Previously it was stated that this deal was a sale.

Inter City Investment Group—J. Harris has a beneficial interest in 1,158,312 shares (12.4 per cent); I. Weisbort in 696,284 (7.5 per cent); J. H. Seymour in 254,374 (2.7 per cent); L. C. Feldman in 147,412 (1.6 per cent): N. T. Harari in 828,000 (8.9 per cent. All are directors of the company or its subsidiaries.

Molins—A family trust of which D. W. Molins, director, is a trustee, together with M. H. Seyes-Phillips and D. O. Bates, has sold 33,700 shares.

Whitbread—A trust in which S. C. Whitbread, director, has an interest has sold 100,000 "A" ordinary shares.

Altifund—C. and A. Pension Trust at September 27 had a holding of 200,000 income shares (8.33 per cent). Derby Trust had a holding of 150,000 (6.23 per cent).

Eurotherm International—J. D. Wilkinson, director, sold 3,000 shares on September 22.

Group Investors — Equitable Life Assurance Society has bought further 60,000 shares making total holding 5.2 per cent.

Louis Newmark—M. C. Martin and D. D. Rothschild, directors, each sold 3,000 shares on September 28 and H. H. Newmark, director, sold 3,000 shares on September 27. On September 28 3,000 shares were sold on behalf of G. L. Newmark out of his discretionary fund.

Johnson Matthey — Following companies hold an interest in excess of 5 per cent: Johannesburg Consolidated Investment 3,880,700 Ordinary shares (22.9 per cent). Prudential Assurance 855,227 (5.03 per cent).

Birmingham Mint — Company notified that National Transport Tokens has sold 200,000 shares in the company, thereby reducing holding to 101,223 shares (5.06 per cent). Mr. D. C. Holloy, nominee director of National Transport Tokens, has resigned from the Board of Birmingham Mint.

Technology Investment Trust—W. R. Merton, director, sold 22,363 shares.

Carrington Viyella withdraws £10m offer

Carrington Viyella, one of the main contenders in the takeover battle for **Compton Sons and Webb**, has withdrawn its bid which valued the company at around £10m.

This currently leaves just one offer on the table—the cash and shares bid from Courtaulds which valued the uniform manufacturer at around £12m.

However, Courtaulds may not have the field to itself for very long. On Monday, Compton announced that it had received another approach and with Carrington now ruled out of the race the stage is set for yet another bidder to emerge.

One possibility is that Vantona may now come forward with a firm offer. It was a takeover approach from Vantona—subsequently rejected by Compton directors—that sparked off the current battle for Compton.

Vantona directors, who were in London last night for a meeting, were unavailable to comment on whether they now intend to make an offer for Compton.

THOMSON OFFERS 40p FOR REST OF EC SHARES

Terms have been agreed for the acquisition by the **Thomson Organisation** of all the remaining shares of **EC (Holdings)** not already owned.

The terms are 40p cash for each ordinary share. Thomson already owns 50.8 per cent of the issued ordinary and the capital not already owned consists of 1,259,359 ordinary. The consideration for these will amount to £503,744.

The scheme will be subject to the approval of the requisite majorities at a meeting of the holders of the shares to be acquired, and at an extraordinary general meeting of EC, and to the sanction of the High Court of Justice.

The directors of EC (other than those representing Thomson) and their advisers, Hambros Bank, consider the terms fair and reasonable. These directors intend to recommend unanimously that shareholders should vote in favour of the scheme and have undertaken irrevocably to do so in respect of the 158,313 ordinary which they beneficially hold.

Holders of a further 670,862 ordinary have also undertaken irrevocably to vote in favour of the scheme in respect of their holdings.

Together these represent 65.8 per cent of the issued ordinary not already held by Thomson.

Thomson has been advised by S. G. Warburg and Co. Formal documents containing details will be dispatched as soon as practicable.

FII APPROACHED

A bid may be on the way for **Footwear Industry Investments**. Yesterday the group's shares rose 12½ to 78½ on news that the company had received a takeover approach.

At last night's closing price the group—a major supplier to Marks and Spencer—is valued at £8.1m.

Any deal, however, will have to have the backing of the Sumray and Shaw families which between them control 55 per cent of the ordinary shares. The Throgmorton Trust holds a 9 per cent stake in the group.

WM. BOULTON ACQUISITIONS

William Boulton Group has acquired all the share capital of Service (Engineers); manufacturer of automatic and semi-automatic machines for the ceramic industry, for £790,000 cash.

The net asset value of Service as at December 31, 1977, was £891,062 before deducting provision for deferred tax, and the pre-tax profit for the period was £250,346.

This acquisition will enable the group to provide a complete service in the supply of process equipment for the ceramc manufacturing industry.

The company has also acquired the capital of Graemrose Plant and Equipment for £200,000 in cash. This company is engaged in the production of control equipment for the automatic handling of railway wagons.

J. McNAUGHTON

The privately owned **James McNaughton Group** is strengthening its paper merchanting business in the Midlands with the acquisition of the merchanting subsidiary of **Brittains**, the Staffordshire based paper and palstics concern.

Brittains' paper merchanting activities are concentrated in the Midlands where McNaughton says its own activities are weakest. The company claims the deal is expected to boost annual sales by around £3m to around £15m. It has declined to disclose the cost of the deal.

Barratt adds 2,000 plots to its land bank

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

Barratt Developments has added 2,000 West Midland house plots to its land bank with a £3m agreed bid for two subsidiaries of **Maidenhead Investments (Holdings)**.

Maidenhead, which is wholly owned by Sir James Goldsmith's Argyle Securities, has agreed to sell its Ash Homes and Francis (Springmeadows) businesses to Barratt. The £2.6m cash purchase price will be raised by an institutional placing of 2.48m new Barratt shares. The housebuilder will also take over £400,000 of Ash and Francis loans from Maidenhead.

The new Barratt shares will represent a 7 per cent increase in the group's issued capital and will rank alongside the existing shares, except that they will not be entitled to a final dividend for the year to the end of June, 1978. The purchase is due to be completed on Friday.

Ash Homes, which has been established in the West Midlands since the war, will continue as a separate autonomous unit within the Barratt group, and it will continue to trade under its own name. Together with Francis, Ash holds a land bank of around 2,000 house plots, and a number of industrial property sites mainly in the Birmingham area. Net tangible assets of the companies are currently estimated at £2.2m, and their combined pre-tax profits in the year to March 31, 1978 totalled £198,000.

HENLYS ADDS TO CHRYSLER SIDE

A third Chrysler main dealer has now joined the stable of **Henlys**, which has just acquired **Roy Thomson of Aberdeen**.

Henlys, which is better known as a Leyland dealer, already has Chrysler franchises at Dunstable and Nottingham and the group is currently pursuing the acquisition of a fourth Chrysler dealership.

The acquisition of Thomson is thought to have cost the group something in the region of £½m.

Interest in Chrysler dealerships has been renewed since the announcement of the proposed link-up between the Chrysler and Peugeot car and truck groups.

A number of other British motor dealers are currently thought to be pursuing Chrysler franchises. Henlys said yesterday that it hoped to push up Thomson's sales in the Aberdeen area to around 800 units a year. The group also has a Ford franchise operating in the North East.

OIL AND GAS NEWS

More gas found in Hopedale well

CHEVRON Canada, a unit of **Standard Oil of California**, has confirmed a second gas and light oil producing zone in its Hopedale discovery well 54 miles offshore Hopedale on the Labrador coast, reports **Robert Gibbens from Montreal**.

The company says that the well is pumping gas at a "stabilised rate of 14.3m cubic feet daily with light oil condensate at a rate of 310 barrels daily."

A week ago Chevron said the first zone flowed gas up to 18.5m cubic feet daily and light oil condensate at about 500 barrels daily. The light oil is a by-product of the gas extraction.

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A consortium of companies, including the National Nigeria Petroleum Corporation, Nigeria Agip Oil and Phillips Oil (Nigeria) have discovered a new petroleum field offshore Nigeria.

The discovery well, Beniboye North 1, encountered 13 hydrocarbon bearing levels. The well is in the OML-62 licence area of the River Niger delta, about two miles offshore in a water depth of about 15 feet.

A testing programme has been completed between 1,330 metres and 2,230 metres. A maximum flow rate of 3,110 barrels of oil daily was tested at 1,900 metres, while from another level at 1,650 metres, the flow rate was 2,094 barrels per day. A second well will be drilled immediately to evaluate the structure and determine the extent of the field.

The OML-62 area is shared by National Nigeria Petroleum, 55 per cent, Nigeria Agip Oil, 22.5 per cent and Phillips Oil (Nigeria), 22.5 per cent.

* * *

Preliminary evaluation of electric log and core data indicates the oil accumulation discovered by the Strzelecki No. 3 well in South Australia is relatively small, according to **Delhi International Oil**, the operator of the well.

Last week it was announced that the well flowed at a rate of 2,400 barrels of oil a day, the highest recorded daily flow rate in the Cooper Basin, from the interval 5,515 to 5,539 feet.

The company added, however, that the find is significant in terms of exploration potential and of any future oil development project.

The well will be cased and further testing carried out when it reaches total depth of 6,540 feet. On completion another well will be drilled on a separate structure nearby.

Delhi International Oil holds a 21 per cent stake in the well, while other participants are Santos, 35 per cent, Crusader Oil, 30 per cent and Vamgas and South Australian Oil and Gas with 7 per cent each.

* * *

Shell Canada Resources has discovered gas and condensate on its recently complete Shell-HB West Pembina 6-29-47-11 W5M well.

The well was drilled to a depth of 3,185 metres and a production test flowed at a rate of 206,000 cubic metres of gas per day and 128 cubic metres of condensate. The well is on acreage owned jointly by Shell and Hudsons Bay Oil and Gas.

MINING NEWS

Ranger: locals to decide

BY KENNETH MARSTON, MINING EDITOR

THE LATEST development in the long-running Australian uranium saga is that the Northern Land Council, which represents the Aboriginal people, has decided to leave to them a decision on signing the agreement which will allow mining development to go ahead at the Peko-Wallsend and EZ Industries' Ranger uranium deposit in the Northern Territory.

The Ranger agreement, which sets out the scale of royalties to be paid to the Aborigines and other terms and conditions for mining, is to be taken to the Oenpelli people who live near the mine site at Jabiru and explained simply to them by white lawyers, according to an NLC spokesman.

The Aborigines will be given time to think about the deal and then another NLC meeting will be called to hear their decision. No time limit has been put on the decision.

Ranger is expected to be the first of the big Australian uranium mines to be allowed to go ahead, but there is now no hope of any construction work being accomplished before the wet season which is due to begin this month and to last until April.

Previously, the NLC had agreed in principle on the terms for the development of Ranger, but subsequent pressure from dissenting Aboriginal groups caused the NLC to review its decision to ratify the agreement. It is understood that the Oenpelli people fully realise that uranium mining will eventually take place, but they are concerned about the protection of their sacred sites, environment and way of life.

Environmental considerations are also a major factor in Saskatchewan where other big discoveries of uranium deposits are waiting to be exploited. A major break-through came in June this year when a public enquiry under Mr. Justice Bayda recommended that the province allow further development of uranium beyond the two mines now in operation. At that time uranium royalties were estimated to run to billions of dollars towards the end of the century.

Since then the agreement has been signed for the development of the French Amok group's C$135m (£66m) project at Cluff Lake. Mr. Allan Blakeney, the Saskatchewan Premier, described the agreement as a "lighthouse" deal because it sets out labour hiring practices that the company must follow.

These include the requirement that 50 per cent of the workforce at the mine must be made up of northern Saskatchewan residents by 1982 and Amok must also meet stiff environmental and worker safety standards. Mr. Blakeney said that the deal marks the first time that a Government has taken a hand in dictating hiring practices and it opens the door for future development in the Canadian north.

Ulan coal rail link plan

WHITE INDUSTRIES of Sydney and Mitsubishi of Japan are to spend A$16.1m (£9.45m) on a new railway line to link the Ulan coalfield of New South Wales directly to the port of Newcastle. The line will run from Ulan to Sandy Hollow where it will join an existing railway.

Mr. K. Oka, managing director of Mitsubishi Development, said in Sydney yesterday that financing arrangements have not been completed but that his group would probably supply 40 per cent of the funds.

This would correspond to Mitsubishi's equity in Ulan, the result of a decision to buy in, announced in the middle of last month.

Mitsubishi's intervention has allowed plans for expansion at Ulan to go ahead. At present there is a small underground mine producing some 4m tonnes of steaming coal a year, but the injection of fresh capital means that an opencast mine will now be developed.

Mr. Neville Wran, the NSW Premier, said that the Ulan deposits were estimated by the State Department of Mines at about 14bn tonnes.

BOW VALLEY ON VERGE OF EXPANSION

Bow Valley Industries of Calgary expects a cash flow of C$32.6m this year, increasing to reach C$178m in 1984, reports **John Soganich from Toronto**.

At the annual meeting, Mr. J. R. Harris, the president, said that the increase would reflect revenue from the Kitts coal mine, the Arzanah, Heimdal and Brae oil and gas fields, and includes a contribution from the recent uranium discovery at Midwest Lake in Saskatchewan.

Bow Valley is a partner with Numac Oil and Gas in the Midwest venture which is led by Esso Minerals. Mr. Harris put the proven uranium content of the ore reserves at more than 60m lb.

AUSTRALIAN MINING AND SMELTING—Quarterly production report:

	12 weeks ending [illegible]	[illegible]
Ore treated (tonnes)	[illegible]	[illegible]
Assays:		
Lead (per cent)	[illegible]	[illegible]
Silver (grams/tonne)	[illegible]	[illegible]
Zinc (per cent)	[illegible]	[illegible]
Production:		
Lead concentrate (tonnes)	[illegible]	[illegible]
Containing:		
Gross lead (tonnes)	[illegible]	[illegible]
Silver (kilograms)	[illegible]	[illegible]
Zinc concentrate (tonnes)	[illegible]	[illegible]
Containing:		
Zinc (tonnes)	[illegible]	[illegible]

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Chapter Eleven protection sought by Food Fair

BY STEWART FLEMING

NEW YORK, Oct. 3.

FOOD FAIR, one of the top 10 food retailing groups with sales revenues in 1977 of $2.4bn, has filed for protection under Chapter Eleven of the Federal Bankruptcy Act.

Mr. Jack Friedland, president of the 510-store chain, which is based in the Eastern U.S., stressed that the company is not bankrupt, but conceded that Food Fair is facing "a temporary liquidity problem" which he believes can be overcome.

Under Chapter Eleven, a company is able to continue operating but seeks protection from creditors by the Court while it tries to work out plans for paying its debts.

Food Fair, which is prominent in the New York area and last year purchased Hills Supermarkets in an effort to try and strengthen its organisation in New York City, has had a patchy profits record for several years. A decade ago it earned profits of $10m on sales revenues of $1.3bn. But since then, in spite of rising turnover, earnings have steadily declined. In 1975 it reported a $3.4m loss on sales of $2.4bn. In the following two years it reported profits of around $2.5m on stagnating sales revenues at the $2.5bn level.

Food Fair says in its bankruptcy petition that it has lost sales volume because of its inability to fully stock its supermarkets and compete effectively with rivals in its market areas.

It points out that its J. M. Fields subsidiary, which operates 70 discount department stores, has been a draw on its cash flow, leaving Food Fair with insufficient cash flow to purchase stocks in quantities which would enable it to obtain maximum discount levels.

In addition, the supermarket group has suffered from the emergence of strong competitors in areas where it has traditionally been dominant. These factors have contributed to narrowing profit margins.

Share analysts have been hoping that steps the company has been taking over the past two years to reorganise its supermarket operations to concentrate in areas where it is already represented, and the overhaul of Fields Discount Stores would result in a steady improvement in earnings.

However, the company has been forced to seek protection from creditors, following what it describes as decisions by suppliers not to extend normal credit terms.

In its bankruptcy petition, the company says that its total unsecured indebtedness is $279m, with public debt of $42m. But it says it has inventories of $230m which are unencumbered, and will be able to support credit which it is anticipated will be extended by debtors in possession.

It added that it has total current liabilities of $211.6m and total current assets of $344.3m.

For the 40 weeks to May 6, the company reported sales revenues of $2.2m and a small profit of $282,000, compared with a profit of $10.7m a year ago, which included a $4.2m gain from an accounting change.

Upturn for Reed Paper in third quarter

By Robert Gibbens

MONTREAL, Oct. 3.

REED PAPER LTD., the troubled Canadian arm of Reed International of the UK, was profitable for the first time in eight consecutive quarters during the third quarter this year, Mr. Donald Maclver, the president said, but the company does not expect to show a profit for the whole year.

It has sold its decorative products group to the parent and also its interests in two western pulp mills for a total of just over C$100m cash. Newsprint demand has been strong and fine papers have improved substantially. Lumber has performed well, packaging has improved and pulp has become stable with further improvement in 1979 likely.

However the Dryden operations in Ontario have "immense" problems to be overcome. Negative cash flows will continue for several more years. The pulp mill will need very large capital spending because it is so old.

Debt is stable and was improving through the third quarter. The policy was to reduce debt further by the proceeds of asset sales. The pigments business is still for sale. Talks with a view to the sale of Reed International's 87 per cent interest in Reed Paper are still at a "preliminary stage." Accumulated tax loss carry-forwards now total more than C$70m (US$58.8m.).

General Telephone expects higher earnings this year

STAMFORD, Oct. 3.

PER SHARE EARNINGS of General Telephone and Electronics Corporation in 1979 could rise to between $4.20 and $4.30 from $3.91 in 1977, Mr. Theodore F. Brophy, the chairman, said.

"Those are reasonable expectations," he said in commenting on analysts' projections. "We expect a good strong year," he added, however, that a "substantial increase" in the Canadian dollar would have a negative effect on reported earnings because of foreign currency translations.

GTE operating telephone companies added 912,000 phones in the 12 months ended June 30, a 6 per cent increase compared to a 5.1 per cent increase in the year earlier period. He said revenue from toll calls is up about 17 per cent from a year ago and calling volume also is increasing.

So far this year GTE units have been granted about $9m in rate increases, about 45 per cent of the amount requested, and applications for an additional $15m are pending.

Revenue from telephone operations accounts for more than half the annual revenue of this diversified telephone holding and manufacturing company.

Manufacturing operations are "further ahead in percentage terms," Mr. Brophy said, largely because of a "major turnaround" in the consumer electronics business. He noted that the consumer electronics business reported earnings of $8.1m for the first half of 1978, compared with a loss of about the same amount for the 1977 period.

"We expect the progress to continue in manufacturing operations, although not at the 74 per cent level," he said, referring to the 74 per cent increase in manufacturing income reported in the first six months. "1979 should be a good year for the products business overall."

The group expects to spend about $2.2bn on construction in 1979, up from slightly less than $2bn budgeted for this year.

About $1.7bn of the total will go to construction of telephone facilities, up slightly from the $1.6bn slated for telephone facilities this year.

GTE expects to generate about 70 per cent of its capital requirements internally.

Productivity continues to improve in the telephone operating units.

The Automatic Electric Company unit, which manufactures telecommunications equipment, is selling business telephone systems directly to customers in Bell system operating territory.

GTE Sylvania hopes to pick up some of Rockwell International Corporation's business from the closing of its Admiral colour television set operations. GTE Sylvania also plans to bid on Admiral's private label business.

AP-DJ

Ashland to buy in 5m shares at $47

ASHLAND, Oct. 3.

ASHLAND OIL has offered to purchase 5m shares or about 18 per cent of its common stock for $47 a share cash.

The offer is not conditional on any minimum number of shares being tendered and will expire on October 20.

Ashland said that if it buys less than all the shares tendered, it will purchase the stock tendered before October 20 on a pro-rata basis.

The company said, however, it will buy all shares tendered by persons who own less than 100 shares as of September 25 and who have tendered all of their stock.

Reuter

Carrier bid blocked

Carrier Corporation said the New York State Attorney General issued an order blocking United Technologies Corporation's proposed tender offer for up to 17m shares of Carrier, reports Reuter from Syracuse.

The Attorney General has ordered a public hearing on October 13 in New York City into various aspects of the proposed offer.

$500m investment by Walt Disney

NEW YORK, Oct. 3.

WALT DISNEY Productions plans to spend about $500m on two new theme parks at Disney World, Florida, Mr. Card Walker, president and chief executive, told delegates to the World Congress of the International Chamber of Commerce meeting at Walt Disney World.

Mr. Walker said the projects "Future World" and "The World Showcase" will implement founder Walt Disney's concept of an experimental prototype community of tomorrow and is scheduled for completion by October 1, 1982. The projects will include participation by General Motors, Exxon (U.S.A.) AT and T and Kraft Inc.

He said that Disney has received letters of intent from business or government interests in 10 other countries to participate in the project.

The experimental prototype community of tomorrow will be operated separately from the adjoining Walt Disney World.

"Future World" will be a series of pavilions displaying future technologies for energy, transportation, the land, the seas, space, life and health and other subjects.

In its first phase "the world showcase" will have 10 nations participating with additional countries expected to join in a second phase.

The existing Walt Disney World has recorded a seven-year attendance of nearly 90m visitors, and the new theme parks are expected to attract a further 8m to 10m visitors in their first year of operation.

The new parks, including the additions, will represent a total investment of more than $1bn, Mr. Walker said.

AP-DJ

Wells Fargo sees third quarter gain of 11%

NEW YORK, Oct. 3.

WELLS FARGO of San Francisco expects third-quarter earnings to be up by more than 11 per cent from the same period of 1977.

In the news release, Mr. Richard P. Cooley, president of the bank holding company, said he did not expect the third-quarter gain "to match the 36 per cent growth rate of the first half of 1978 over the first half of 1977. However, we do anticipate healthy earnings growth for the final quarters of this year as well as for 1979."

In the 1977 third quarter, Wells Fargo reported net operating earnings of $25.1m, or $1.14 a share.

Separately, Mr. Cooley estimated that automatic funds transfer programmes to be introduced on November 1 under Enabling Regulation will cost the bank 5 cents to 10 cents a share in 1979. Under the programme, customers can have funds automatically transferred from their interest-bearing savings account to their cheque accounts.

AP-DJ

Genstar land deal

Genstar Ltd, the Canadian building materials, chemicals and real estate development group indirectly controlled by the Societe Generale, of Belgium, plans to buy more than 8,000 acres of land in San Diego from a U.S. company, Penasquitos, for $91m - reports our Montreal Correspondent. The company has also arranged to raise $100m from the Royal Bank of Canada through the sale of variable rate redeemable preferred shares. The land includes commercial, industrial and commercial and industrial and residential areas. It will be sold to developers in the San Diego area, which is growing at an impressive rate, Genstar says.

SEC warning to brokers

WASHINGTON, Oct. 3.

A STERN warning has been issued by the Securities and Exchange Commission to securities firms to stop a number of practices that the Commission believes are unfair to customers.

The warning included the practice of issuing cheques to customers that had been drawn on distant banks to prolong the broker's use of the customer's money, and the practice of retaining interest and dividend payments instead of disbursing them upon receipt.

Mr. Edward I. O'Brien, president of the Securities Industry Association, swiftly denied that any fraud occurred by any broker-dealer in any of these practices.

Mr. O'Brien said that any broker if asked would furnish at any time to any client the amount of commission for brokerage services and the amount of custodial fee that would be charged.

AP-DJ

Sears Roebuck sees better earnings per share

ZURICH, Oct. 3.

MR. JACK KINCANNON, senior vice-president of Sears Roebuck and Co., told a meeting of Swiss bankers and businessmen yesterday that the company's earnings per share in the second half of this year would be better than in the first.

The meeting was arranged to mark the introduction of Sears Roebuck shares on Swiss Stock Exchanges. Herr Hanns Kessler, a director of the Swiss Bank Corporation, told the meeting that Sears had picked the right moment to introduce its stock to Swiss investors because currency stability measures announced on Sunday by the Swiss National Bank had strengthened the dollar today.

Sears Roebuck had first half net of $356.16bn or $1.11 a share, down from last year's first half net of $360.9bn or $1.13. First half sales were $9,577.3bn compared with $7,683.77bn.

AP-DJ.

EUROBONDS

Little investor interest

BY FRANCIS GHILES

THE Eurobond markets were steady yesterday, particularly in the dollar sector, where trading remains very professional with no further sign of real investor interest.

The Bank of Tokyo $30m floater was priced at par with conditions otherwise unchanged by the lead manager, S. G. Warburg; a 15-year maturity and an interest set at one-quarter of a point above the average of the six month bid and offered rate for Eurodollar deposits. The issue fell to a discount in the after-market, which is unusual for floating rate notes: it was quoted by the lead manager at 98½ last night.

Though this issue was nearly twice oversubscribed, according to the lead manager, it has focused attention on the delicate question of commissions. Three banks, Crédit Suisse-First Boston, Deutsche Bank and Swiss Bank Corporation refused invitations to co-manage the issue because they were unhappy at the lower than usual level of commissions.

The selling group commission was the normal 1½ per cent but both the management and the underwriting commissions were set by S. G. Warburg at ⅜ per cent; ½ per cent is the norm for both, but managing and underwriting commissions of ⅜ per cent are not unheard of.

Certain first-class borrowers such as ECSC, Citicorp, and Australia have paid such fees, bringing the total commissions they have paid to 2¼ per cent.

The EIB has succeeded in paying a total of only 2½ per cent. On the other hand, both Midland Bank and Westminster Bank have issued 15-year paper offering commissions of 2½ per cent.

S. G. Warburg argues that Bank of Tokyo is as good a name as any, and thus should be entitled to the lower management and underwriting commissions. Other banks also argue that while the Bank of Tokyo issue is a 15-year bullet, the others all have an average life of less than 15 years. Furthermore, these issues were for much larger amounts than $30m, which in itself justifies a cut in management and underwriting commissions. Lastly, in the current bad market conditions, cutting commissions is not wise.

Activity was greater yesterday in the Deutsche-Mark sector, with prices up for the second day running, this time by a quarter to half a point.

A new issue is expected tomorrow from DG Bank for the Banque Extérieure d'Algérie. Indicated terms for this DM 100m bond include a coupon of 7¼ per cent and a seven-year maturity. Indicated terms of the DM 50m convertible for Marudai Foods include a coupon of 3½ per cent and a conversion premium of 10 per cent.

The DM 30m convertible for Kayaba Industry was priced at par with conditions otherwise unchanged by the lead manager Westdeutsche Landesbank. The issue is convertible into the company's Toyko listed shares from January 8 next year at a price of Y305 per share. Kayaba shares closed on Tuesday on the Tokyo Stock Exchange at Y280. The fixed exchange rate for the life of the bonds is Y97.50 for one DM.

In the Swiss franc sector, the measures announced by the authorities last week have so far had little impact on the bond market.

The next bond to be floated in this sector, on October 25, will be for Malaysia, through UBS

IVECO warns of earnings decline

By Kenneth Gooding

PARIS, Oct. 3.

IVECO, the pan-European group which takes in the commercial vehicle interests of Fiat in Italy, Magirus-Deutz of Germany and Unic in France, made a profit after tax of $80m in 1977, compared with $38m previously. But Dr. Bruno Beccaria, vice chairman and managing director, warned here today that the group would do well to break even in 1978 after allowing for depreciation.

In the first six months of this year production had fallen 8 per cent and there was an 11 per cent drop in vehicles invoiced.

In Italy, for example, total new truck registrations fell 35 per cent in the first six months of 1978 compared with the same period last year

The flow of orders in the first half was not unsatisfactory, however, and showed an increase of 11.5 per cent compared with 1977.

Last year IVECO'S sales totalled $2.99bn ($2.7bn) and are forecast to reach $3.25bn this year.

Some 108,600 vehicles were produced (103,000) and this year the total will drop to 108,000 if current forecasts prove correct.

Capital investment reached $235m ($155m) and this would fall to $213m this year but over the next six or seven years IVECO will finance a further $1bn of capital investment from its own resources.

Dr. Beccaria said the most significant venture so far in 1978 was the setting up of a distribution network in North America. IVECO had hoped to link with Mack trucks in the U.S. to use its dealer network but the negotiations broke down. (Mack now seems likely to do a deal with Renault of France).

Dr. Beccaria revealed that IVECO had not given up the idea of a link with a U.S. manufacturer and that tentative talks were going on with an unnamed company.

IVECO WAS still open and ready to consider favourably further forms of co-operation, Dr. Beccaria said. He added that the company, which is known to be talking with Leyland Vehicles, the BL truck and bus subsidiary, has systematic contacts with all European manufacturers.

His comments come only shortly after Mr. Desmond Pitcher, the former managing director of Leyland Vehicles, who is now consultant to the division, said that the British company only had a future if it merged or co-operated with another major truck supplier.

BOUSSAC TEXTILES

The Willot Brothers move in

BY DAVID WHITE IN PARIS

THE FINAL SEAL was put on the close of Marcel Boussac's reign over the troubled textile empire bearing his name, when the four aggressive Willot brothers from the north moved in this week to take over the daily management of its small factories in the Vosages region of eastern France.

For a year before taking over completely, the Agache-Willot group will run the Boussac factories on behalf of the Paris commercial tribunal, which decided in August in favour of the Willots' FFr 700m ($160m) bid for the bankrupt concern. The year is for the brothers to carry out their agreed restructuring of Boussac and pay back the first instalment of Boussac debts to the government and the banks.

The creditors have no worry on this score, with the Agache-Willot group's reinforced position as the leading French textile concern as well as a big retailer, and with FFr 121m already in the bag from the proceeds of old M. Boussac's prize possessions, his newspapers and his race horses.

But M. Boussac had another pride, a loyal, low-paid but well catered-for workforce, and for Boussac workers in the Vosges the future is less sure.

The Boussac textile business has long been seen as a "lame duck," and it was the first in the re-elected government's list of companies in this category to be purged. In a plan which explicitly did not rely on official funds but which at a time of rising unemployment, involved only a "moderate" number of redundancies (1,200, plus 600 regradings).

Unions and opposition politicians challenge the degree of "lameness" that has been attributed to Boussac, suspecting that the Willots have picked up a bargain at FFr 700m—estimates of the real value of the Boussac interests range upwards of FFr 1bn—and that they want to divest themselves of textiles as a matter of general policy.

"Boussac's problems were in its financial management," one unionist said. "It has never been short of potential clients."

As if to prove this point, the Boussac plant at Vincey, just north of Epinal, could be seen last week working at full capacity. The factory, built in the style of a Victorian hospital, has had its work force cut down from 376 to 300. Redundancy notices went out in September in anticipation of the takeover by the Willots, who plan to convert it into a furniture plant, presumably to supply their recently acquired Conforama retail chain.

But the people who are left were now, for the first time in a long time, working a full 40-hour week. Orders had started coming in again from clients who were previously afraid they might not be fulfilled, and supplies of raw material had been released by companies which had been afraid of not being paid. The same has happened in other Boussac plants, five of which are due to cease all textile activity under the Willot plan.

Keeping in mind the Willots' reputation for tough and sometimes unscrupulous approach to takeovers, the unions are campaigning on two platforms. Even if industry has to diversify, the region should keep what is worth keeping of its textile plants, including a surprising amount of modern machinery. And the Willots should be kept to their promises.

The new owners have pledged the "continuing survival" of Boussac. This will include the preservation of the Boussac label, as well as, more obviously, that of the Christian Dior fashion business, the juiciest part of the Boussac empire.

The takeover is being made through Saint-Freres, a traditional northern jute company which the Willots took control of in 1969. This is now being transformed to pull all the Willots industrial interests into one group, which goes provisionally by the name of Boussac-Saint-Freres, but which may well be called just "Boussac."

M. Jean-Pierre Willot, who has been described as the "real boss" of the team, said in a recent interview that cutbacks only affected obsolete companies. "In every other case, it must be said that Boussac products are top notch, the brand names totally intact and production levels are too low." He went on to predict that next year, if all went well, the Agache-Willot group, with a total workforce of 40,000 including some 10,000 from the Boussac takeover, would increase its turnover from FFr 8bn this year (including Boussac) to FFr 10bn. "And," he added, "there will be no more losses."

The new owners of the Boussac textile concern have pledged themselves to its continuing survival. This will include the preservation of the Boussac label itself, as well as that of the Christian Dior fashion business, the most glamorous part of the ailing empire

At the same time, he admitted, that the group's policy was to diversitfy out of textiles, and that although, Agache-Willot would continue to be in the market for other companies it would buy no more textile interests.

The Agache-Willot group, though founded on textiles, is now more heavily involved in retailing through Bon Marche and other outlets, a sector adorned by the cachet of Ted Lapidus and now Christian Dior couture.

But in the Vosges, the Willots are treading on sensitive territory. They won their takeover bid partly because they had the support of the state-owned banks like Credit Lyonnais, which had pumped money in up to last spring, but also partly because they came up with a plan involving less unemployment than the rival bid from the Bidermann clothes group.

Labour reaction to the redundancy plan was muted, in comparison to protests earlier in the year when wages dried up and Boussac workers took to the streets. Not everyone felt the impact, and the unions' power proved limited, with less than one in 10 workers a member. Factory occupations on the lines of the famous Lip watch campaign were planned, but there was only one partial occupation at a small plant in Epinal, lifted when details were given of alternative employment.

The 100 or so plants involved in spinning and weaving cotton in the Vosges, many dating back to before World War 1, have been in decline for a good 20 years. About 8,000 jobs were lost from 1974 up to May this year, when Boussac came under judicial control. There are now about 3,000 at Boussac after the latest cuts—500 retired early at 56 and 700 were dismissed—and 14,000 spinning and weaving workers in the region overall. The Lorraine regional council, in a report to the prefecture of the Vosges department, foresees 2,500 jobs disappearing in the next 18 months, and then 700 a year for four years—5,300 in total by 1983.

Boussac workers in Epinal, the departmental capital, have jobs earmarked at Wocco, a West German company which plans to make rubber fixtures for motor vehicles, and others are offered retraining. The Government made an effort to cushion the effect of M. Boussac's final financial collapse, announcing at the same time as the Willot takeover a plan to create over 1,400 new jobs and spend some FFr 500m on new roads between now and 1985.

After textiles began their decline in the late 1950s, there was a minor boom in new metal industry in the Vosges, but that ended with the 1973 oil crisis. Many workers have already left in the direction of Alsace to the east or Franche-Comte to the south, where Peugeot has its main plant at Sochaux. Pay there is some 30 per cent higher.

Agache-Willot has been laying-off textile workers in the north of France, and it is feared further cuts will eventually be made in the Vosges. One unionist gave the Vosges another three years as a textile centre, and in any case it will cease to be a major one. The motor industry will probably generate some components plants. But otherwise the mountain area will have to rely on its thermal and mineral waters, its forests and its potential for tourism.

Paris bourse active

BY OUR FINANCIAL STAFF

THE boom on the Paris stock market is reflected in bourse turnover for September which rose by 44 per cent against the levels of August, stretching the volume advances for the first nine months of this year to a full 70 per cent.

A breakdown of activity provided by the Stockbrokers Association shows that despite the upsurge this year in fixed interest investment, and the subsequent, powerful display by bond market new issues, it is equities that continue to play the dominant role. Over the nine months equity turnover has more than doubled (up 108 per cent) and it accounted for very nearly three-fifths of bourse activity. During the period turnover in the bond market rose 38 per cent.

Bourse activity was last at its present levels in January 1974 just before the great crash of that year which took share prices down by almost half in the space of 12 months. Yesterday, prices eased following a gain of nearly a tenth over the six days trading to Monday.

However, this still leaves a gain of 74 per cent over this year's low. The impetus in recent days has been investor enthusiasm for the new account with its tax advantages, plus some favourable economic news

Carlsberg buys stake in SVG

COPENHAGEN, Oct. 3.

CARLSBERG, the Danish brewery, has bought a major interest in the French company Societe Generale des Vins (SVG) and aims to increase significantly its beer sales in France, the company announced today.

In a separate development, Thomson-CSF and the French Industrial Development Institute (IDI) are said to be holding preliminary talks with a view to acquiring a stake in California Computer Products Incorporated (Calcomp), industry sources in Paris said today.

Agencies

Enasa cuts losses

BY ROBERT GRAHAM

MADRID, Oct. 3.

ENASA, SPAIN'S largest industrial vehicle manufacturer plans to introduce short time and institute a scheme of early retirement to combat slack market conditions and cut its losses. The measures are expected to be introduced next year.

Provisionally, the management anticipates cutting 36 working days in 1979. At the same time, it will introduce a scheme whereby all workers reaching the age of 59 will be entitled to early retirement on 95 per cent pay.

The rate of Enasa, in which British Leyland held a 25 per cent stake until 1973, is being watched with special interest here by the motor industry. The company accounts for 51 per cent of domestic medium and heavy truck production, 70 per cent of bus production and also makes 13 per cent of all light industrial vehicles in Spain.

Enasa is running at a loss, however, and its main shareholder, the state holding company, INI, is seeking to divest its 66 per cent stake.

INI has approached three international groupings as possible purchasers: Berliet-Saviem, Iveco (the international consortium which includes Fiat) and Chrysler.

Sharp first half growth at BIC

BY DAVID WHITE

PARIS, Oct. 3.

FRENCH-BASED Bic group, the makers of throwaway pens, razors and cigarete-lighters, increased profits world-wide by 40 per cent in the first half of this year.

Net earnings of the group, which includes Biro Bic in Britain and a number of other subsidiaries and affiliates overseas, mostly engaged in making Bic ballpoint pens, rose to Fr 92.4m ($21.2m) from Fr 65.6m.

Sales showed a more modest 9 per cent growth, just topping the billion-franc mark at Fr 1.07bn compared with Fr 980m.

The results reflected a marked improvement in—among other sectors — Bic's interest in women's tights, through Diroco, a holding company which brings together France's two leading makes, Dim-Rosy and Colroy.

Baron Marcel Bich, chairman and founder of Bic, told other shareholders earlier this year he planned to incorporate his private holdings in Diroco into the group, as well as his interests in Guy Laroche, an up-market men's outfitter, and Dufour, a boatbuilder.

Fulfilling his hope that these companies would be in better financial shape by the time they were brought fully into the group Diroco showed a net profit of FFr 18m in the first half-year, against a loss of Fr 1.1m.

Group profit last year dropped slightly to FFr 133.3m from FFr 134.8m, a fall ascribed largely to the cost of launching disposable razors into a highly competitive market.

Profit boost for Banque Rothschild

PARIS, Oct. 3.

BANQUE ROTHSCHILD, which is to absorb its parent company Compagnie du Nord through a reverse takeover, expects profits for this year to top FFr 100m ($23m) from which it will pay a dividend in excess of FFr 10.50 a share.

President Guy de Rothschild told a news conference here that the merger with Cie du Nord will give the bank a solid financial base. "It is a dynamic and offensive operation with emphasis on profitability. The bank is now entering a phase of maturity," he said.

The operation which will be completed before the end of this year, will be retroactive to January 1, 1978. The bank's results this year will not be comparable with those of 1977: last year net earnings fell sharply to FFr 8.5m.

After the merger the bank will be capitalised at FFr 208m, with reserves of FFr 640m and a balance sheet of some FFr 9bn ($2.08bn). It will expand its international financial operations such as Eurocredits and export financing, develop its private clientele and strengthen its assistance to French and foreign institutional investors.

About 55 per cent of the bank's shares will be held by the public, 35 per cent by the Rothschild family, and the remainder by current shareholders including Aetna Life and Casualty Company of the U.S. which has a 5 per cent stake in Cie du Nord.

AP-DJ

SAME denies Deere deal

BY PAUL BETTS

ROME, Oct. 3.

SAME, Italy's second largest manufacturer of agricultural machinery after Fiat Trattori, Fiat's tractor subsidiary, has denied reports of a possible deal with the John Deere Group of the U.S.

Despite continuing difficult market conditions with an estimated drop of about 10 per cent in overall Italian tractor demand this year, SAME has just completed a L4.7bn (US$57.1m) investment programme to boost production at its Treviglio plant, in Northern Italy, to a total capacity of some 250 engines a day.

Like many medium-sized companies in Italy's so-called industrial triangle of the north, the farm machinery group has managed to retain profitability as a result of its flexible structure and relatively low workforce of about 2,000 people. Last year SAME reported profits of L4.8bn.

The sales of the group, which also include the Lamborghini tractor manufacturing concern, have increased from about L51bn in 1973 to more than L100bn last year.

INTL. FINANCIAL AND COMPANY NEWS

Pioneer Concrete to make scrip issue after record

BY JAMES FORTH SYDNEY, Oct. 3.

PIONEER CONCRETE Services, the international pre-mixed concrete, quarrying and building products group, plans a one-for-eight scrip issue for the second successive year, after a 34 per cent rise in group earnings, from A$14.6m to a record A$19.6m (US$ 22.7m). The result betters the forecast of A$17.5m made at last year's annual meeting, and resulted mainly from a strong increase in the contribution from overseas operations.

The recovery in overseas operations, which began in 1976-1977, was expected to continue, the directors said. Overseas operations accounted for almost 60 per cent of the A$5m increase in earnings. The directors said that the Australian group also performed creditably, with a marked increase in the contribution from the cement manufacturer, Cement Industries, which is jointly owned with CSR.

Trading activities in Australia however, brought only marginal gains—achieved against a background of contracting market demand, continued hesitancy in the investment climate, an increase in unemployment and a re-emergence threat of industrial unrest, the board stated.

Output in the pre-mix concrete and quarry divisions declined, the lack of any impetus to private sector activity in the Commonwealth Budget for 1978-1979 indicated that it would be difficult to maintain the volume of output even at 1977-78 levels. In anticipation of this situation, steps were taken some months ago to gear operations to the anticipated level of demand, in order to preserve as far as possible the level of profitability in the Australian operations.

The major overseas gains were made in Hong Kong, the U.S. and Israel, with improvements also seen in Portugal and West Germany. The Hong Kong subsidiaries' gains reflected the continuing high level of building activity in the Colony.

In the UK, a moderate increase in output from the addition of new concrete plants, was the main factor in operations achieving improved results. The directors said that a number of new projects would start in the UK during the current year and that, while all may not be immediately profitable the strategic-medium-term benefits to the group would outweigh any short-term difficulty in market penetration.

The most creditable performance overseas was by the Israeli subsidiaries, where trading results showed a marked improvement in Australian dollar terms despite a 50 per cent Israeli devaluation in October, 1977 and a general decline in the market. Losses were again incurred in Spain but there were indications of renewed activity and an improved performance was expected in the current year, if this trend could be maintained. Heavier losses were incurred in Italy and there was little prospect of an early return to profitability. Losses were also incurred in Germany but there was an improving trend.

The South African subsidiary traded profitably, while the Portuguese operations recorded their maiden profits. In March the first pilot investment in the U.S. was undertaken with the acquisition of three concrete plants in Birmingham, Alabama. A small profit was achieved but it was still too early to make any definitive judgments.

The dividend is held at 10 cents a share on capital increased by last year's scrip issue, and the directors said that it would be maintained after the latest proposed scrip issue. The latest result equalled earnings of 23.9 cents a share compared with 20.1 cents in 1976-77.

Australian food group confirms losses

By Our Own Correspondent

SYDNEY, Oct. 3.

MARRICKVILLE Holdings, the food group, incurred total losses of A$4.17m (U.S.$4.8m) in the year to June 30, the first result since control switched to the Southern Packers food group. A loss was expected after the results for the first half when a total deficit of A$3.14m was announced.

The latest figure reflects abnormal items, mainly A$1.91m future income tax benefits previously credited which were written back, but the group also ran up a trading loss for the year of A$1.28m.

Southern Packers gained control of Marrickville late last year after sustained buying of the company's shares for several months. Six months later a takeover bid was made for the outstanding shares. In the meantime, the new board had instituted a programme of rationalisation and engaged in a price war to increase the group's share of the margarine market.

The campaign contributed to the trading loss but Marrickville is believed to have regained much of the market share lost in the past five years.

The directors also reported that Southern Packers had now received acceptances totalling 85.4 per cent of Marrickville's capital.

Toyo Trust to open branch for ordinary banking in London

BY CHARLES SMITH TOKYO, Oct. 3.

TOYO TRUST and Banking Company, one of Japan's seven trust banks, is to open a branch in London in two weeks time. The London branch will be Toyo's second overseas branch, and will bring to five the number of Japanese trust banks with full branches in London. The branch will undertake ordinary banking (not trust) business, although Toyo is understood to have a long-term interest in building up overseas trust business.

Toyo, in common with other Japanese trust banks, has experienced a sharp rise in assets recently, partly because of success in attracting funds from corporate pensions funds, which are a novelty in Japan. The accumulation of pension fund money has led trust banks to look overseas for the diversification of their loan portfolio with particular stress being placed on the development of syndicated yen-denominated loans.

Toyo will also use its London branch as a base to service the overseas needs of its Japanese clients and as an information gathering centre. A further line of business could be investment councelling, an area in which Toyo specialises.

Toyo trust was formed 19 years ago through the merger of the trust departments of the Sanwa and Kobe banks and the securities management division of Nomura Securities. The bank retains close links with Sanwa and Nomura, as well as with Taiyo Kobe Bank (into which the Bank of Kobe was subsequently merged).

* * *

NIKKO SECURITIES COMPANY has set up a wholly-owned subsidiary, Nikko (Schweiz) Finanz, in Zurich, reports Reuter from Tokyo.

The new company capitalised at SFr2m, will engage mainly in securities transactions, taking the place of Nikko's Zurich representative office.

NBT warns of need for higher timber prices

By Wong Sulong

KUALA LUMPUR, Oct. 3.

NORTH BORNEO Timbers Berhad has continued to face difficult conditions in the opening months of the current financial year, since May, and unless there is a quick upturn in timber prices, an early return to high profits is unlikely, Mr. Akbar Hydari, the chairman, says in his annual report.

The timber market has remained poor, while operating costs have increased as logging operations moved further inland in the East Malaysian state of Sabah, the report said. The company sees some signs of improvement in the timber market, and should demand improve, the measures taken by the company, it believes, will bring about better results.

Reviewing the group's operations, Mr. Hydari said that it was necessary to dispose of some of the group's non-timber interests to improve its liquidity and to free resources.

To date, 33,000 acres of its 40-per-cent-owned associate company, Sabah Softwoods, had been planted with fast-growing pines.

For the last financial year, ending May, NBT made a net loss, after taxation and extraordinary items of 443,000 ringgits (U.S.$ 194,298) compared with a profit of 15.8m ringgits the year before.

Depressed timber prices, lower timber output, higher costs and royalties all contributed to this setback.

Increase in profits for China Provident

BY ANTHONY ROWLEY HONG KONG, Oct. 3.

CHINA PROVIDENT Company, a real estate and transportation subsidiary of Hutchison Whampoa, announced net interim profits of HK$50.2m (US$10.61m) against HK$6.5m in the corresponding period of 1977.

Mr. A. G. Hutchison, the chairman, said that the 1978 half-year figures included profits realised on occupation in June of phase three of the company's West Point property development. China light is involved in a property development by redeveloping the company's Old Godown sites in the western district of Hong Kong Island.

Mr. Hutchison estimated that the net consolidated group profit for this year as a whole would be not less than HK$65m compared with HK$30.6m for the whole of last year.

In view of the magnitude of the company developments in hand, China Provident is leaving the interim dividend unchanged at 25 cents a share.

Reviewing the company's half-year performance, Mr. Hutchison said that cargo-handling business at North Point in Hong Kong had been very active and container terminal operations had improved considerably. Phase three of the West Point development by China Provident Development Company was going smoothly and plans were well advanced by the group for erection of cargo handling facilities in Kwun Tong. Other substantial developments were also in hand.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 9½pc 1989	96¼	97½
AMEV 8pc 1987	94¼	96
Australia 8½pc 1992	93¾	94¼
Australian M. & S. 9½pc '92	96	93½
Barclays Bank 8½pc 1992	94½	97¼
Bowater 9½pc 1993	97½	98
Can. N. Railway 8½pc 1986	95½	96½
Credit National 8½pc 1986	96½	97
Denmark 8½pc 1984	97	97½
ECS 9pc 1993	99	99½
ECS 8½pc 1997	97½	98½
EIB 8½pc 1992	96½	97
EMI 9½pc 1989	98½	99
Ericsson 8½pc 1989	95	96½
Esso 8pc 1986 Nov.	98½	99½
Gt. Lakes Paper 8½pc 1984	97½	98½
Hamersley 9½pc 1992	100	100½
Hydro Quebec 9pc 1992	97	97½
ICI 8½pc 1987	94½	95½
ISE Canada 9½pc 1986	101	101½
Macmillan Bloedel 9pc 1992	97½	98½
Massey Ferguson 9½pc '91	94½	96½
Michelin 9½pc 1988	99½	100
Midland Int. Fin. 8½pc '92	94½	97½
National Coal Bd. 8pc 1987	93	93½
Natl. Westminster 9pc 1986	98	98½
Natl. Wstmnstr. 9pc '86 'B'	100½	101
Newfoundland 9pc 1989	98	98½
Nordic Inv. Bank 8½pc 1988	97	97½
Norges Kom. Bk. 8½pc 1992	95	95½
Norpipe 8½pc 1989	96	96½
Norsk Hydro 8½pc 1992	94½	95½
Oslo 9pc 1988	99½	100
Ports Autonomes 9pc 1991	95½	99½
Prov. Quebec 9pc 1995	96½	97
Prov. Saskatchwn. 8½pc '86	97½	98
Reed International 9pc 1987	94½	95½
RHM 9pc 1992	91½	93½
Selection Trust 8½pc 1989	91½	93½
Shell Intl. Fin. 8½pc 1990	99	91½
Skand. Enskilda 9pc 1991	99	99½
SKF 8pc 1987	91½	91½
Sweden (K'dom) 8½pc 1987	93	95½
United Biscuits 9pc 1989	97	97½
Volvo 8pc 1987 March	93	93½
ETB 9½pc 1992	93½	93½
Finance for Ind. 9½pc 1987	90½	91½
Finance for Ind. 10pc 1989	93	94
Fisons 10½pc 1987	96½	97½
Gestetner 11pc 1988	93½	93½
INA 10pc 1988	90	91
Rowntree 10½pc 1988	91½	92½
Sears 10½pc 1988	91½	92½
Total Oil 9½pc 1984	90	91
NOTES		
Australia 7½pc 1984	93½	93½
Bell Canada 7½pc 1987	93½	93½
Br. Columbia Hyd. 7½pc '85	93½	93½
Can. Pac. 8½pc 1984	96½	97
Dow Chemical 8pc 1986	94½	93½
ECS 7½pc 1982	94½	93½
ECS 8½pc 1989	94	94½
EEC 7½pc 1982	94½	93½
EEC 7½pc 1984	93½	94½
Enso Gutzeit 8½pc 1984	96½	96
Gotaverken 7½pc 1982	94½	95
Kockums 8pc 1983	96	96½
Michelin 8½pc 1983	97½	98½
Montreal Urban 8½pc 1981	98	99½
New Brunswick 8pc 1984	95	95½
New Bruns. Prov. 8½pc '83	97½	98½
New Zealand 8½pc 1986	94½	95½
Nordic Inv. Bk. 7½pc 1984	93	93½
Norsk Hydro 7½pc 1982	95½	96
Norway 7½pc 1982	93½	94½
Ontario Hydro 8pc 1987	93	93½
Singer 8½pc 1982	97	97½
S. of Scot. Elec. 8½pc 1981	98	99½
Sweden (K'dom) 7½pc 1982	95½	96
Swedish State Co. 7½pc '82	93	95½
Telmex 9½pc 1984	97½	99
Tenneco 7½pc 1987 May	91½	92
Volkswagen 7½pc 1987	92½	93½
STERLING BONDS		
Allied Breweries 10½pc 1990	90½	91½
Citicorp 10pc 1993	92½	93½
Courtaulds 9½pc 1989	88½	89½
ECS 9½pc 1989	92½	93½
EIB 9½pc 1988	96½	97½

Source: White Weld Securities.

Currency, Money and Gold Markets

$ at all time D-mark low

Sterling generally remained on the sidelines in the foreign exchange market yesterday, attracting little pressure despite the Government's problems over its wages policy. Most of the interest centred around the Swiss franc and the German D-mark, following the recent moves announced to push down the Swiss franc. This led to a sharp rise by the German currency, which was probably encouraged by the Swiss National Bank. There was surprisingly little pressure on the European currency snake however, pointing towards probable purchases of Dutch guilders and Belgian francs by the Swiss authorities, as well as the obvious buying of D-marks.

The Swiss central bank also entered the market to buy dollars, but this failed to prevent another fall by the U.S. currency, which touched a low point of SwFr 1.57 yesterday, compared with a best level of SwFr 1.62 on Monday, after the new measures were known.

The dollar finished at SwFr 1.5730, compared with SwFr 1.5915 previously, and fell to a record low of DM 1.9115 against the D-mark at the close, compared with DM 1.9327 previously.

Sterling opened at $1.9640-1.9650, and touched a high point of $1.9740-1.9750 in the afternoon as the dollar lost ground against most currencies. The pound finished at $1.9730-1.9740, a rise of 20 points on the day. Its trade-weighted index, as calculated by the Bank of England, stood at 62.5 throughout, compared with 62.7 on Monday.

Forward sterling was firmer, with the three-month discount against the dollar narrowing to 1.72 cents from 1.90 cents previously.

The Canadian dollar fell to a record low of 83.61 U.S. cents before closing at 84.04 cents, compared with 84.09½ previously.

NEW YORK—No new factors were seen behind the dollar's sharp fall in early trading. The market was busy all morning, but became quieter after the close of trading in Europe.

FRANKFURT—The Bundesbank did not intervene as the dollar was fixed at a record low of DM 1.9223-1.9303 against the D-mark, compared with DM 1.9300-1.9380 previously. The previous fixing low was set on August 15, at DM 1.9290. Trading was quiet, with the weakness of the dollar attributed to the movement out of Swiss francs, which has been accompanied by a preference to buy D-marks rather than dollars. The Swiss franc fell to DM 1.2138-1.2158 against the D-mark at the fixing, from DM 1.2117-1.2137 on Monday, and sterling also lost ground, to DM 3.7860-3.8000 from DM 3.800-3.814.

In nervous late trading the dollar fell to a record low of DM 1.9115-1.9130. Central bank intervention may have cushioned the fall.

MILAN—The dollar fell to its lowest level for 32 months against the lira at yesterday's fixing of L821.95, compared with L822.95 on Monday. At the same time the D-mark rose to a record L426.69 against the lira from L425.75, while the Swiss franc was slightly firmer at L518.60, compared with L515.96 at the previous fixing, but still much weaker than the L563 record level set early last week. Trading was fairly active in D-marks and the volume traded in dollars was normal, at $14.8m. The Bank of Italy did not intervene at the fixing.

ZURICH—The dollar declined against the Swiss franc despite intervention by the Swiss National Bank, estimated at around $275m. Early trading was described as very quiet, and during the afternoon the U.S. currency fell to SwFr 1.5750, compared with a morning rate of SwFr 1.5915.

BRUSSELS—The strength of the German D-mark pushed the Belgian franc to its lowest permitted level of BFr 15.575 per D-mark, within the terms of the European currency snake, at the fixing. The dollar fell to a record low of BFr 30.2875-30.4375, compared with BFr 30.41-30.56 on Monday. The French franc also declined, to BFr 7.0010-7.0310 from BFr 7.0340-7.0640.

PARIS—The French franc lost ground against the dollar and the D-mark at yesterday's fixing, with the U.S. currency rising to FFr 4.3225-4.3345 from FFr 4.3215-4.3335, while the D-mark improved to FFr 2.2452-2.2502 from FFr 2.2361-2.2411.

TOKYO—The U.S. dollar fell to Y188.90 against the yen from Y189.80 on Monday, but finished slightly firmer than its opening level of Y188.70.

AMSTERDAM—The dollar fell to Fl 2.08725-2.08975 at the fixing from Fl 2.09375-2.09625 on Monday.

EXCHANGE CROSS RATES

Oct. 3	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.974	3.778	371.0	8.510	3.105	4.098	1621.	2.346	59.55
U.S. Dollar	0.507	1.	1.914	188.0	4.312	1.573	2.076	821.1	1.190	30.17
Deutsche Mark	0.265	0.523	1.	98.21	2.253	0.823	1.085	429.0	0.621	15.76
Japanese Yen 1,000	2.695	5.319	10.18	1000.	22.94	8.369	11.04	4366.	6.327	160.5
French Franc 10	1.175	2.319	4.439	436.0	10.	3.649	4.815	1904.	2.759	69.98
Swiss Franc	0.322	0.636	1.217	119.5	2.741	1.	1.320	521.9	0.756	19.18
Dutch Guilder	0.244	0.482	0.922	90.54	2.077	0.758	1.	395.3	0.573	14.53
Italian Lira 1,000	0.617	1.218	2.331	228.9	5.251	1.916	2.529	1000.	1.449	36.75
Canadian Dollar	0.426	0.841	1.609	158.0	3.625	1.323	1.746	690.8	1.	25.37
Belgian Franc 100	1.679	3.314	6.343	623.0	14.29	5.214	6.881	2721.	3.943	100.

EURO-CURRENCY INTEREST RATES*

The following nominal rates were quoted for London dollar certificates of deposit: one month 9.05-8.95 per cent; three months 9.45-9.35 per cent; six months 9.70-9.60 per cent; one year 9.70-9.60 per cent.

Long-term Eurodollar deposits: Two years 9⅛-9¼ per cent; three years 9⅛-9¼ per cent; four years 9⅛-9¼ per cent; five years 9⅛-9¼ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars, two day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

U.S. interest rates steady

U.S. interest rates were steadier yesterday with 13-week Treasury bills quoted to 8.13 per cent compared with an average of 8.161 per cent at Monday's auction and 26-week bills at 8.36 per cent against 8.377 per cent at the auction. One-year bills were little changed at 8.19 per cent from 8.20 per cent. There was no intervention by the Federal authorities in early trading with Fed funds trading at 8⅝-8¾ per cent as opposed to 8½ per cent on Monday. One-month certificates of deposit were unchanged at 8.75 per cent, two-months at 8.88 per cent from 8.89 per cent and three-months unchanged at 9.05 per cent.

Bankers acceptance offered rates showed little change at 8.60 per cent for 30-days, 8.65 per cent for 60-days and 8.75 per cent for 90-days. 120-day rates were quoted at 8.80 per cent, with 150-days at 8.85 per cent and 180-days at 8.85 per cent. High grade commercial paper rose to 8.60 per cent from 8.55 per cent for 30-days, 8.65 per cent against 8.60 per cent for 60-days and 8.70 per cent compared with 8.65 per cent for 90-days.

AMSTERDAM—The Dutch call money rate continued to firm yesterday and was quoted at 14-15 per cent compared with 12-13 per cent on Monday. Longer term rates were also up with one-month money at 11-11½ per cent against 10½-11 per cent and three-month at 10-10½ per cent from 9¾-10¼ per cent. Six-month money was quoted at 8¾-9¼ per cent against 9-9½ per cent.

FRANKFURT — Interbank money market rates showed little change with call money at 3.50-3.55 per cent through to 4.10-4.20 per cent for 12-month.

PARIS — Money market rates were again mixed with call money at 7 per cent, unchanged from Monday and one-month funds easing to 7⅛-7$\frac{5}{16}$ per cent from 7¼-7⅜ per cent. Three-month money was also easier at 7$\frac{7}{16}$-7$\frac{9}{16}$ per cent against 7$\frac{7}{16}$-7$\frac{9}{16}$ per cent as was the six-month rate at 7$\frac{13}{16}$-7$\frac{15}{16}$ per cent compared with 7$\frac{15}{16}$-8$\frac{1}{16}$ per cent. On the other hand 12-month money firmed to 8$\frac{3}{16}$-8$\frac{5}{16}$ per cent from 8⅛-8¼.

BRUSSELS — Deposit rates for the Belgian franc (commercial) were unchanged throughout from 7¼-7½ for one-month to 7¾-8¼ per cent for 12-month deposits.

UK MONEY MARKET

Interest rates firmer

Bank of England Minimum Lending Rate 10 per cent (since June 8, 1978)

Interest rates continued to rise in the London money market yesterday, reflecting uncertainty surrounding the Government's projected 5 per cent wage policy and the implications of its rejection at the Labour conference. Interest also centred on U.S. rates which, despite President Carter's assertion that rates were as high as he would like to see them, still showed no signs of peaking out. Discount houses buying rates for three-month Treasury bills rose from 9$\frac{7}{16}$-9$\frac{7}{32}$ per cent to 9$\frac{9}{32}$-9⅜ per cent. This would indicate an MLR of 10 per cent under the abandoned market related formula and the realisation that interest rates seem unlikely to decline in the near future, may see an even higher MLR being discounted before long.

Day to day credit was expected to be in slightly short supply in the money market although the final outcome was a fairly flat day. Nevertheless the authorities gave a large amount of assistance by way of large Treasury bill purchases and a small amount of corporation bills, both direct from the discount houses.

The market was faced with a sizeable net take up of Treasury bills and an excess of revenue transfers to the Exchequer. There was also a slight increase in the note circulation. On the other hand, banks brought forward balances some way above target. Discount houses paid 8¾-8½ per cent for secured call loans at the start although closing balances were taken between 4½ per cent and 6 per cent.

In the interbank market overnight loans opened at 8¾-9 per cent and eased to 8¼-8¾ per cent where most of the day's trading occurred. Later in the day rates fell to close at 1-3 per cent. Longer term rates were firmer with three-month at 9⅞-10 per cent compared with 9⅝-9¾ per cent on Monday while the 12-month rate rose to 10⅜-10½ per cent from 10$\frac{1}{16}$-10¼ per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Oct. 3 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills	Eligible Bank Bills	Fine Trade Bills
Overnight	—	1-9	—	—	—	7¾-9	4⅛-8⅛	—	—	—
2 days notice	—		8⅞-9⅛	—	—			—	—	—
7 days or	—		—			9¼		—	—	—

GOLD

Record level

Gold closed at a record high of $221¾-222¼, a rise of $4¼ on the day. The metal opened at $219-219½, and declined initially to $218.80 (£111.255) at the morning fixing. It rose to $221.40 (£112.272) at the afternoon fixing, and trading was quite busy after the opening of the New York market.

In Paris the 12½ kilo gold bar was fixed at FFr 30,050 per kilo ($215.93 per ounce) yesterday afternoon, compared with FFr 30,375 ($218.06) in the morning, and FFr 29,800 ($214.18) Monday afternoon. In Frankfurt the 12½ kilo bar was fixed at DM 13,575 per kilo ($219.11 per ounce), compared with DM 13,500 ($217.23) previously.

	Oct. 3	Oct. 2
Gold Bullion (fine ounce)		
Close	$221¾-222¼	$217¼-218
Opening	$219-219½	$215¾-216¼
Morning fixing	$218.80 (£111.255)	$217.00 (£110.169)
Afternoon fixing	$221.40 (£112.272)	$217.15 (£110.192)

THE POUND SPOT

FORWARD AGAINST £

THE DOLLAR SPOT

FORWARD AGAINST $

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER MARKETS

Rate given for Argentina is free rate.

MONEY RATES

WORLD STOCK MARKETS

Dow slightly easier after light early trade

INVESTMENT DOLLAR PREMIUM
\$2.60 to £1—82¼% (81½%)
Effective \$1.9735 38⅞% (37¾%)

AFTER MARGINALLY extending the recent technical rally, Wall Street turned easier in further light trading to show a rather mixed picture at mid-session.

The Dow Jones Industrial Average was a net 1.04 off at 870.32 at 1 pm, after improving to 873.01 at 11 am. The NYSE All Common Index was 2 cents down on balance at \$57.96, after rising to \$58.06, while turnover, still restricted by the Jewish New Year holiday, came to a modest 15.90m shares at 1 pm, against Monday's comparable figure of 13.47m.

Closing prices and market reports were not available for this edition.

Analysts said there was little to cheer the market. The dollar fell sharply in Europe and the Gold price soared to a new record high.

The market was sceptical, analysts added, of remarks by Federal Reserve chairman Miller that he still hopes interest rates will peak this year and that current U.S. policies will cut 1979 inflation, by 1 to 2 percentage points from the present 7 to 8 per cent range. "The whole thing just doesn't add up," one analyst said of Miller's statements.

Gold shares benefited from the strength of Bullion. **Dome Mines** climbed 2¼ to \$87⅛. **ASA** ⅞ to \$29⅛, **Campbell Redlake** ½ to \$39¼, **Homestake** ½ to \$38⅞ and **Rosario Resources** ½ to \$20⅞.

Petroleum issues were also higher. **Atlantic Richfield** rose 1⅛ to \$54⅞. **Exxon**, which has developed a rechargeable lithium battery, ½ to \$52½, **Mobil** ⅞ to \$72, and **Texaco** ⅛ to \$24⅞.

Carrier slipped ⅛ to \$26⅛. The New York State Attorney General has issued an order blocking United Technologies from making an offer for Carrier Common shares. **United Technologies** were unchanged at \$43⅞.

Sunbeam fell 2⅞ to \$31½. The company expects that fiscal second-quarter profits will fall sharply from those of a year ago.

A and P were unchanged at \$7⅞ despite reporting a fiscal second-quarter loss.

Lockheed added ½ at \$28⅞ on winning three defence contracts worth \$143.4m.

THE AMERICAN SE Market Value Index was just 0.01 harder at 169.55 at 1 pm, after initially reaching 169.71. Volume 1.70m shares (1.58m).

Husky Oil topped the actives list but eased ½ to \$37⅞. **Allied Artists**, in second place, shed ⅛ to \$6⅝.

However, **Resorts International "A"** rose 6⅞ to \$164⅞, **Vertipile** ⅛ to \$6⅞ and **Leisure Technology** ⅞ to \$6⅛.

Roy G. Dinsdale, a Nebraska businessman, began his offer to buy 31 per cent of Wyoming Bancorp for \$15 a share. **Wyoming Bancorp** lost 1⅛ to \$14⅞.

Canada

The firming trend persisted yesterday morning in fairly active trading. The Toronto Composite Index gained 3.0 more to 1,293.9 at midday, while Golds advanced 19.9 to 1,700.9. Metals and Minerals 13.0 to 1,137.3 and Papers 0.63 to 131.14. Banks, however, reacted 0.91 to 208.57.

Abitibi, C\$18⅞, and **Price**, C\$22⅞, were each up ½ in active trading. Abitibi has announced a C\$23 a share bid for Price.

Germany

Stocks generally moved further ahead in lively trading, spurred on once again by both domestic and foreign buying orders. The Commerzbank index climbed 4.6 more to 856.7, its highest level since closing at 859.5 on January 9, 1970.

Foreign buyers are hoping to capitalise on the rising Deutsche mark.

BBC jumped DM 10.50 in Electricals, while in Banks, **Commerzbank** gained DM 2.50. **Daimler-Benz** rose DM 5.20 and **BMW** DM 2.20 among the Motors sector, while elsewhere, **Metallgesellschaft** added DM 8.50, **Degussa** DM 3.50, **Harpener** DM 5.00 and **Preussag** DM 3.00.

Public Authority Bonds were quietly mixed, recording gains of up to 20 pfennigs and losses extending to 10 pfennigs. The Regulating Authorities sold a nominal DM 17.2m of stock (DM 33.6m). Mark Foreign Loans were firmer.

Tokyo

Market again closed with an easier tendency after mixed trading, with fresh profit-taking causing a good number of recent market favourites to react. The Nikkei-Dow Jones Average shed 1.33 to 5,779.53 on fairly large volume of 360m shares (390m).

TDK Electronics receded Y10 to Y2,150, **Nippon Oil** Y14 to Y702, **Heiwa Real Estate** Y8 to Y634 and **Mutsukoshi** also Y8 to Y560.

However, Textiles rose, led by Cotton Spinners on anticipated good earning prospects. **Nisshin Spinning** advanced Y26 to Y543 and **Kawashima Spinning** Y25 to Y410.

Foods, Electric Cables and Machine Manufacturers also improved.

Matsushita Industrial moved ahead Y19 to Y764, **C. Itoh** Y9 to Y250 and **Casio** Y15 to Y935.

Paris

With political uncertainties resulting from dissent within the ruling coalition mainly discouraging fresh buying, Bourse prices finished easier for choice yesterday.

Banks, however, were in good form, with **Credit National** and **Locafrance** leading the sector ahead.

Elsewhere **Poclain** and **Dunkerque-Normandie** were unquoted for a time due to an influx of buying orders, but Bourse sources were unable to explain the demand. **Poclain** were finally 31 up at FFr 280.

Moulinex, down 6.1 at FFr 142.9, led a retreat in Electricals, while elsewhere, **Legrand** receded 33 to FFr 1,943, **Carrefour** 24 to FFr 2,018 and **Maisons Phenix** 26 to FFr 575.

Switzerland

The recent recovery movement gave way to a widespread retreat yesterday, reflecting investor disappointment with the renewed weakness of the dollar despite the National Bank's currency measures and the economic package planned by the Swiss Government. The Swiss Bank Corporation's Industrial index fell 6.1 to 274.1.

Ciba Geigy declined 25 to SwFr 960, **Nestle** 70 to SwFr 3,140, **Swissair** 14 to SwFr 796 and **Credit Suisse** 55 to SwFr 2,240.

Domestic and Foreign Bonds, however, were quietly steady.

Johannesburg

Gold shares were higher across the board on Overseas interest following the improvement in the Bullion price.

Mining Financials gained ground in line with gold producers.

Diamond leader **De Beers** closed 10 cents stronger at R7.85, after reaching R7.88.

Among Platinums, **Rusplat** advanced 14 cents to R1.82 and **Lydenburg** 11 cents to R1.23, both in response to results. **Bisplat** rose 7 cents to R1.77.

The Industrial market remained mixed but with a firmer bias.

Australia

The recent weakening trend continued across a broad front.

Uraniums were notably lower in the wake of the decision by the Northern Land Council to place the future of the Ranger Uranium agreement in the hands of traditional aboriginal landowners in the site area.

Pancontinental lost another 35 cents to A\$12.00, while **Peko-Wallsend** fell 16 cents to A\$5.90, **EZ Industries** 8 cents to A\$3.02 and **Kathleen Investments** 5 cents to A\$3.60.

Among Coals, **Howard Smith** retreated 20 cents to A\$4.10, and **Thiess** 3 cents to A\$3.27 and **White Industries** 15 cents to A\$4.65.

Elsewhere in Minings, **CRA** declined 9 cents to A\$3.66 and **Consolidated Goldfields** 10 cents to A\$4.00.

BHP receded 6 cents to A\$8.60 and **CSR** were similarly lower at A\$3.52, while **Myer**, in Stores, shed 4 cents to A\$1.55.

The Cooper Basin oil stocks attracted renewed interest on the gas strike in the Strzelecki No. 3 well. **Santos** picked up 4 cents to A\$2.12 and **Crusader**, after reacting afresh in early trading, rallied to close only a cent easier on the day at 81 cents.

Hong Kong

The market staged a technical recovery from an oversold position in quiet trading, and the Hang Seng Index picked up 5.81 to 622.53.

Hong Kong Bank put on 30 cents to HK\$19.50, while **Hong Kong Land** and **Jardine Matheson** improved 20 cents apiece to HK\$11.70 and HK\$17.40 respectively. **Hutchison Whampoa** added 5 cents at HK\$6.25, but **Swire Pacific** were unchanged at HK\$10 while **Wheelock** declined 7.5 cents to HK\$8.30.

Elsewhere, **Hong Kong Wharf** recovered HK\$1 to HK\$33.75, **Hong Kong Telephone** 50 cents to HK\$34 and **Cheong Kong** 10 cents to HK\$12.50.

Amsterdam

Stock prices mostly gained further ground.

Hoogovens and **Royal Dutch** rose Fl 1.30 and Fl 1.00 respectively among Dutch Internationals.

Most Shippings and Transports were very firm, with **Van Ommeren** advancing Fl 9.90 and **KLM** Fl 2.60.

Gains ranging between Fl 1.00 and Fl 2.50 were registered in **Oce-Van der Grinten**, **Amfas**, **Pakhoed**, **Ennia** and **Lagemene Bank Nederland**.

State Loans, in contrast, were slightly lower in thin trading.

NOTES: Overseas prices shown below exclude \$ premium. Belgian dividends are after withholding tax. ◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax. ♥ Pta 500 denom. unless otherwise stated. ♣ DKr 100 denom. unless otherwise stated. ♠ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. § Price at time of suspension. a Florins b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. w Merger pending. * Asked. † Bid. ‡ Traded. ‡ Seller. ∘ Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. ∆ Interim since increased.

Indices

NEW YORK—DOW JONES

	Oct. 2	Sept. 29	Sept. 28	Sept. 27	Sept. 26	Sept. 25	1978 High	1978 Low	Since compilation High	Since compilation Low
Industrials	871.36	865.82	861.51	860.19	868.16	862.36	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	88.75	88.84	88.92	88.93	88.84	88.90	90.88 (4/1)	85.75 (11/7)	—	—
Transport	244.76	244.11	242.84	242.65	245.42	242.55	261.49 (12/9)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	105.92	106.12	106.12	106.26	106.09	105.78	110.98 (5/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's†	18,590	25,610	24,650	26,570	26,330	20,970	—	—	—	—

* Basis of Index changed from August 24

	Sept. 29	Sept. 22	Sept. 15	(Year ago approx)
Ind. div. yield %	5.46	5.50	5.39	5.32

STANDARD AND POORS

	Oct. 2	Sept. 29	Sept. 28	Sept. 27	Sept. 26	Sept. 25	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrials	114.22	113.72	112.98	112.82	113.73	112.85	118.71 (12/9)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
Composite	102.96	102.54	101.88	101.66	102.62	101.86	106.99 (12/9)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	Sept. 27	Sept. 20	Sept. 13	Year ago (approx)
Ind. div. yield %	4.86	4.85	4.63	4.68
Ind. P/E Ratio	9.45	9.45	9.66	9.43
Long Gov. Bond yield	8.58	8.47	8.35	7.64

N.Y.S.E. ALL COMMON

Oct. 2	Sept. 29	Sept. 28	Sept. 27	1978 High	1978 Low
57.98	57.78	57.47	57.31	60.38 (11/9)	48.37 (6/3)

Rises and Falls

	Oct. 2	Sept. 29	Sept. 28
Issues traded	1,834	1,875	1,855
Rises	764	927	692
Falls	618	506	735
Unchanged	452	442	428
New Highs	—	—	33
New Lows	—	—	30

MONTREAL

	Oct. 2	Sept. 29	Sept. 28	Sept. 27	1978 High	1978 Low
Industrial	215.15	213.97	212.13	—	215.15 (2/10)	162.30 (16/2)
Combined	219.53	218.62	217.01	—	219.53 (2/10)	170.82 (30/1)
TORONTO Composite	1290.9	1284.7	1277.9	1272.0	1290.9 (2/10)	998.2 (30/1)
JOHANNESBURG Gold	255.5	256.7	254.7	255.4	272.0 (14/8)	185.0 (20/4)
JOHANNESBURG Industrial	264.8	264.5	263.8	264.4	271.1 (15/9)	194.3 (13/4)

	Oct. 3	Previous	1978 High	1978 Low
Australia (*)	565.31	(c)	595.79 (22/8)	441.19 (1/3)
Belgium (‡)	100.03	99.99	101.16 (8/6)	90.43 (23.6)
Denmark (**)	94.31	94.37	98.96 (14/6)	94.00 (6/2)
France (††)	82.4	82.9	83.9 (2/10)	47.8 (3/2)
Germany (‡‡)	856.7	852.1	856.7 (3/10)	759.4 (17/6)
Holland (§§)	89.5	88.5	90.1 (11/9)	76.0 (4/4)
Hong Kong (¶¶)	622.53	616.92	707.70 (4/9)	383.44 (13/1)
Italy (‖)	21.29	20.82	22.52 (25/9)	55.46 (10/1)
Japan (a)	434.14	434.12	434.84 (30/9)	364.04 (4/10)
Singapore (b)	363.42	358.82	414.50 (8/9)	282.0 (9/1)

	Oct. 3	Previous	1978 High	1978 Low
Spain (d)	97.79	(c)	112.7 (3/4)	87.65 (17/6)
Sweden (e)	372.41	382.48	[illegible]	[illegible]
Switzerl'd	274.1	280.2	[illegible]	[illegible]

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Ramada Inns	431,000	[illegible]	[illegible]
Holiday Inns	436,100	[illegible]	[illegible]
Pan-Amer. Airways	349,400	[illegible]	[illegible]
Norton Simon	244,000	[illegible]	[illegible]
Exxon	199,500	[illegible]	[illegible]
Sears Roebuck	167,100	[illegible]	[illegible]
Caesars World	162,900	[illegible]	[illegible]
Carrier	154,400	27	[illegible]
General Electric	153,700	[illegible]	[illegible]
NCH	148,900	[illegible]	[illegible]

NEW YORK

Stock	Oct. 2	Sept. 29
Abbott Labs	34⅛	34⅞
Addressograph	27¾	27½
Aetna Life & Cas.	41¼	40⅞
Air Products	28¼	28½
Alcan Aluminium	32½	32¼
Alcoa	46¼	45¾
Alleg. Ludlum	18⅛	18⅛
Allegheny Power	18	18
Corning Glass	58⅛	58⅜
CPC Int'national	49	49¼
Crane	33¼	33¼
Crocker Nat.	28¼	28
Crown Zellerbach	34½	34⅛
Cummins Engine	38	37¾
Curtiss Wright	18⅛	19
Dana	31⅛	31⅛
Dart Industries	43⅝	43⅛
Johns Manville	32⅛	31¾
Johnson Johnson	83¼	83⅛
Johnson Control	46⅝	27
Joy Manufactur'g	34⅞	35⅛
K. Mart Corp.	27½	27⅞
Kaiser Alumini'm	36¾	36¼
Kaiser Industries	2⅛	2⅛
Kaiser Steel	26½	26⅜
Kay	15	12⅞
Kennecott	27¾	28⅛
Revlon	53¾	52¼
Reynolds Metals	36	35⅛
Reynolds R. J.	62¼	62⅜
Rich'son Merrell	28	28½
Rockwell Inter.	35⅛	35⅞
Rohm & Haas	35¾	35¼
Woolworth	21⅞	21⅜
Wyly	6⅝	6¾
Xerox	56⅛	55⅞
Zapata	15⅞	15⅞
Zenith Radio	16⅛	16⅛
U.S. 90-day bills	7.95	7.77
Walgreen	29⅛	29
Warner-Commun.	49⅞	49
Warner-Lambert	27½	27⅝
Waste-Man'ment	29	28
Wells-Fargo	29⅞	30
Western Bancorp	37⅝	41⅝
Western N. Amer.	35½	35½
Western Union	19	19⅛
Westingh'se Elec.	21¼	21⅞
Weyerhaeuser	29½	29¼
Whirlpool	24⅛	24⅛
White Con. Ind.	20⅝	20⅜
William Co.	19⅝	19½
Wisconsin Elec.	27⅝	27⅝

† Bid. ‡ Asked. § Traded. ¶ New stock.

CANADA

GERMANY ◆

Oct. 3	Price Dm.	+ or —	Div. %	Yld. %
AEG	87.9	+0.2	—	—
Allianz Versich.	524	−3	31.2	3.0
BMW	234.0	+2.2	28.12	6.0
BASF	142.7	+0.7	18.76	6.6
Bayer	144.5	+0.2	18.76	6.5
Bayer-Hypo	300	+2	28.12	4.7
Bayer-Vereinsbk.	343	−1.6	16	2.7

TOKYO ¶

Oct. 3	Prices Yen	+ or —	Div. %	Yld. %
Asahi Glass	332	−3	14	2.1
Canon	455	−4	12	1.3
Casio	935	+15	25	1.3
Chinon	410		20	2.4
Dai Nippon Print	583	−2	18	1.5
Fuji Photo	570	−2	15	1.3
Hitachi	225	−2	12	2.7

AUSTRALIA

Oct. 3	Aust. \$	+ or —
AUMIL (50 cents)	†0.75	−0.02
Acrow Australia	†0.92	+0.02
AMATIL \$1	†2.25	
Ampol Exploration	†1.35	−0.09
Ampol Petroleum	†0.86	+0.01
Assoc. Minerals	†1.60	−0.1

OSLO

Oct. 3	Price Kroner	+ or —	Div. %	Yld. %
Bergen Bank	99		9	9.1
Borregaard	77.5	+1.5	—	—
Creditbank	113.0	−0.5	11	9.8
Kosmos	515	−2.5	20	6.4
Kreditkassen	112.0	−1.0	11	9.8
Norsk HydroKr20	237.0	−0.5	12	4.1

BRUSSELS/LUXEMBOURG

AMSTERDAM

SWITZERLAND ●

COPENHAGEN ♣

MILAN

VIENNA

PARIS

STOCKHOLM

BRAZIL

JOHANNESBURG

SPAIN ♥

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS 1296

BASE LENDING RATES

Bank	Rate	Bank	Rate
A.B.N. Bank	10 %	■ Hill Samuel	§10 %
Allied Irish Banks Ltd.	10 %	C. Hoare & Co.	†10 %
American Express Bk.	10 %	Julian S. Hodge	11 %
Amro Bank	10 %	Hongkong & Shanghai	10 %
A P Bank Ltd.	10 %	Industrial Bk. of Scot.	10 %
Henry Ansbacher	10 %	Keyser Ullmann	10 %
Banco de Bilbao	10 %	Knowsley & Co. Ltd.	12 %
Bank of Credit & Cmce.	10 %	Lloyds Bank	10 %
Bank of Cyprus	10 %	London Mercantile	10 %
Bank of N.S.W.	10 %	Edward Manson & Co.	11½ %
Banque Belge Ltd.	10 %	Midland Bank	10 %
Banque du Rhone	10½ %	■ Samuel Montagu	10 %
Barclays Bank	10 %	■ Morgan Grenfell	10 %
Barnett Christie Ltd.	11 %	National Westminster	10 %
Bremar Holdings Ltd.	11 %	Norwich General Trust	10 %
Brit. Bank of Mid. East	10 %	P. S. Refson & Co.	10 %
■ Brown Shipley	10 %	Rossminster	10 %
Canada Perm't Trust	10 %	Royal Bk. Canada Trust	10 %
Cayzer Ltd.	10 %	Schlesinger Limited	10 %
Cedar Holdings	10½ %	E. S. Schwab	11½ %
■ Charterhouse Japhet	10 %	Security Trust Co. Ltd.	11 %
Choulartons	10 %	Shenley Trust	11 %
C. E. Coates	10 %	Standard Chartered	10 %
Consolidated Credits	10 %	Trade Dev. Bank	10 %
Co-operative Bank	*10 %	Trustee Savings Bank	10 %
Corinthian Securities	10 %	Twentieth Century Bk.	11 %
Credit Lyonnais	10 %	United Bank of Kuwait	10 %
The Cyprus Popular Bk.	10 %	Whiteaway Laidlaw	10½ %
Duncan Lawrie	10 %	Williams & Glyn's	10 %
Eagil Trust	10 %	Yorkshire Bank	10 %
English Transcont.	11 %		
First Nat. Fin. Corp.	11½ %		
First Nat. Secs. Ltd.	11 %		
■ Antony Gibbs	10 %		
Greyhound Guaranty	10 %		
Grindlays Bank	‡10 %		
■ Guinness Mahon	10 %		
■ Hambros Bank	10 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7%, 1-month deposits 7½%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7¼%, and over £25,000 7½%.
‡ Call deposits over £1,000 7%.
§ Demand and deposits 7½%.

ملكا من الأهل

FARMING AND RAW MATERIALS

Zambian copper sales shock

BY JOHN EDWARDS, COMMODITIES EDITOR

ZAMBIA IS cutting back copper supplies offered to fabricators under direct supply contracts by 50 per cent in 1979, according to leading U.K. fabricators yesterday. At the same time, the Zambians plan to charge premiums, over the London Metal Exchange prices, for their copper.

It is proposed that wirebar prices be fixed at £8 over the LME settlement price and cathodes have a premium of £2 a tonne. This compares with present contracts which are based on parity with the LME price for wirebars and a £4 discount for cathodes.

Fabricators were apparently informed by telephone of Zambia's intentions and are now seeking more formal discussions. On leading company described the cutback conveyed in a "tense" telephone call was a "bitter blow" to customers who had put their faith in Zambia. He claimed that the fall in Zambian production did not justify such a large cut in supplies to companies that had put their confidence in Zambia.

Memaco, the state-owned sales organisation, refused to make any comment last night. It is believed that the cut will apply to all contract customers, but there may be some exceptions where supply commitments have been linked with loans particularly in the case of the Japanese.

At the same time it is known that the Zambians have a 50 per cent shareholding in a new continuous casting rod plant that is due to come on stream in France this year and they are likely to have a commitment to supply a large proportion of the copper cathodes required.

The attitude of other copper supplying countries is not yet known. The London Metal Exchange annual dinner, where suppliers normally take the opportunity to negotiate with consumers the 12-month supply contracts for the following year, is being held later than usual and it is anticipated that the "mating season" could extend right into November. The Chileans, it is understood, will open their campaign next week when visiting France.

It is known that the Canadians are almost certainly likely to cut their supplies, because of a reduction in output resulting from the mining of lower-grade ores and mine shutdowns. Much, however, will depend on whether the Canadians, Chile and other suppliers are shut out of the U.S. market either by proposed import quotas or, more likely, by the more competitive pricing attitude developed by U.S. domestic producers.

Although there are still big surplus stocks of copper available in the world, there is a shortage of the good quality brands required for continuous cast rod manufacture and, to a lesser extent, of wirebars. There is also a shortage of copper concentrates and blister, required by refiners, as a result of the production cuts, caused by uneconomic prices or by other problems in the case of Zambia and Zaire.

News of the 50 per cent Zambian cutback proposal was not generally known on the London Metal Exchange yesterday and prices were hardly changed in quiet trading conditions.

The premiums, planned by the Zambians, should make little difference to market price movements. It will depend on market conditions, however, whether they will be charged or not.

It is acknowledged that producers have a strong case for charging a premium over the LME price, since they are providing a guaranteed quality to a specified destination, hopefully on a regular basis. But the imposition of the premium relies on the ability of the fabricator buying the copper to remain competitive while passing it on to his customer. In other words, it would be difficult for one supplier to impose it without suport from all the other leading producers.

Meanwhile lead continued to surge ahead on the London Metal Exchange yesterday. Cash lead gained £10 to close at £389.5 a tonne and establish a premium over the three months quotation, which closed £7.75 up at £387.5 a tonne. There is a shortage of immediate supplies developing as a result of heavy buying by Eastern Europe, particularly the Soviet Union.

There is also reported to be a shortage of lead concentrates in Japan, forcing smelters to cut production to 80 per cent of normal levels. The various cuts in lead output worldwide, aggravated by the reduction in output of its sister metal—zinc—are now beginning to be revealed by strong buying interest from the trade and, inevitably, speculators.

Zinc values also jumped yesterday with the cash price climbing by £8 to £343.75 a tonne. It too is rising because of a shortfall in supplies to meet improved demand, although surplus stocks are still large. Last night after the Metal Exchange closed, New Jersey Zinc, one of the leading U.S. producers, announced it was putting up its domestic zinc price in the U.S. by 2 cents to 34.5 cents a pound, for prime western grade.

Aluminium had a much quieter time in its second day of trading on the Metal Exchange. Turnover dropped to 1,125 tonnes against 3,625 tonnes on the first day. The closing price was virtually unchanged at £586.75 a tonne. It is pointed out that this price does not include the import levy included in the U.K. producer price.

Giants take over in egg business

By Our Commodities Staff

THE RAPID concentration of the British egg industry in the hands of a relatively few giant-scale producers continued last year, according to a survey just produced by the Eggs Authority.

Fifty-four per cent of UK egg production last year came from the 468 holdings in the country with more than 20,000 caged layers.

A year earlier there were 435 producers on this scale accounting for 50 per cent of national egg output.

At the same time the number of small-scale egg farmers continued to shrink. About 5,000 producers with fewer than 500 hens gave up the bsuiness last year. Although there are still 69,000 of them, farmers of this size account for a mere 5 per cent of national egg production.

Since 1971 the total number of egg-producing holdings has fallen from 125,000 to 74,000 while the total number of layers has dropped to 49m from 54m.

'Dairy farming can thrive despite profits squeeze'

BY CHRISTOPHER PARKES

THE HAPPY prospect of future expansion for British dairy farmers and fredom from the disruptive influences which had hit them so hard in the past was held out yesterday by Dr. Keith Dexter, director-general of the Government's Agricultural Development and Advisory Service.

Even though the only way to control EEC dairy surpluses was to squeeze the profits of the European industry as a whole, farmers in this country would be able to continue producing more milk, he claimed.

British dairy farmers could also look forward to a period of stable costs and returns, thanks mainly to the protective effects of EEC membership which would shield them from violent upsets in world markets.

The industry's strength lay in the big herds—big by EEC standards—of 80-100 cows, kept on family farms in those parts of the country ideally suited to grass production, he told a dairy conference in Blackburn.

However, he warned, there was still room for improvement. Although the best of British milk producers could compete with the best in Europe, average performance in this country was still short of the average in Holland.

The Common Market's attempts in recent years to balance milk output with demand had failed, Dr. Dexter said. There had been schemes to slaughter dairy cows or switch them to beef production. Milk farmers had been taxed.

"Despite these and other measures, EEC deliveries of milk rose by 3 per cent in 1977 and a further 4 per cent in the early months of 1978," he added.

Talks on new production control projects had already started. "But whatever price levels are agreed and other measures taken, the milk surpluses will only be restrained by squeezing the profitability of milk production," Dr. Dexter said.

Net margins

British dairying had shown it could compete with the major milk industries in Germany and France which between them produce 50 per cent of all Common Market milk, despite suffering the apparent disadvantage of low milk prices.

Proof of this was to be found in the increases in production in this country.

Output this year was likely to be 4 per cent higher than in 1977 which was itself a record season. The trade in dairy cows and female calves was buoyant. And all this was being achieved at milk prices "well below" those in other Community states.

Dr. Dexter claimed that dairy farmers' net margins had recovered from recent depths. Milk prices had risen, feed costs were relatively stable, sales of calves and old cows produced good prices and yields of milk per cow had risen, pushing margins to between 15 per cent and 20 per cent of output on many farms.

In the 1960s net margins averaged about 10 per cent. In 1971 and 1972 a combination of favourable influences pushed them up to 23 to 24 per cent, but then economic and climatic disasters struck and margins fell to less than 5 per cent on many dairy units.

Dr. Dexter also promised greater stability in costs and returns than in the past decade. "The fluctuations in cereal prices and the violent movements in beef and cattle prices in the early 1970s reflected world events and the transitional problems of adjusting to Community arrangements."

But the EEC arrangements now provided a substantial degree of insulation against price fluctuations of the type which so affected UK farming a few years ago.

Platinum at new record

By Our Commodities Staff

THE PRICE of platinum reached a new record on the London free market yesterday, hitting £148.50 an oz at the afternoon fixing in the wake of gold's progress to a new high.

Traders said the Swiss were among the biggest buyers in the afternoon.

Earlier, Japanese activity pushed the price to £146.50 an oz in the morning. Then, before the new peak in the afternoon, Impala Platinum, a leading producer, said it would maintain its price unchanged at $250 an oz "for the time being."

U.S. sugar policy setback

NEW YORK, Oct. 3.

THE U.S. Senate Finance Committee approval today of a Bill setting a sugar price objective of 17 cents a pound lessened greatly the chances of having a domestic sugar programme this year, according to trade sources here.

Some sources said the panel's passage of the Bill sponsored by Senator Frank Church was a serious setback, coming less than two weeks before the Congress recess.

The price objective of 17 cents exceeds the 15-cent level viewed as acceptable to the Carter Administration.

It is doubted that even a House-Senate conference committee will have enough time to produce a compromise package before the Congressional recess.

The failure of Congress to pass a domestic sugar programme also will prevent a ratification vote on U.S. membership in the International Sugar Agreement. Reuter.

'No case for metal stockpile'

BY ADRIAN DICKS

WEST GERMAN users of metals such as chrome, manganese and platinum have built up their stocks to a point where there is no case at present for considering a national strategic reserve.

At a meeting today of the Economics Ministry, a group of industrial users of imported minerals agreed with Herr Detlev Rohwedder, State Secretary in charge of raw materials policy, that diversification of supplies and higher levels of stocks have greatly reduced the country's vulnerability.

To-day's meeting is likely to set the tone of a report by an inter-departmental group of senior officials, due to be presented for Cabinet discussion on November 1.

Although it conforms closely with previous thinking at the Economics Ministry, which has tended to play down the risks of shortages of raw materials, there has also recently been strong pressure on the West German Government to reconsider this.

An unpublished study by the Foreign Ministry last summer, for example, urged the creation of a national strategic stockpile along U.S. or Japanese lines, to be financed to the tune of DM 3bn-DM 4bn (up to £1bn)

Participants at today's meeting were reported to have agreed with the Economics Ministry line that stockpiles are primarily a matter for companies themselves.

For the longer term, however, the West Germans have been made even more aware that they have few directly-owned mineral reserves, so that for example a worsening situation in such key areas as Zaire or southern Africa might leave eWst Germany more vulnerable than other Western countries.

Coffee attacked by pests

BY SUE BRANFORD

SAO PAULO, Oct. 3.

THREE SPECIES of caterpillar, two of which were previously unknown in Brazil, have attacked 2m coffee bushes in the north of the State of Parana. The caterpillars are at present chewing up the leaves of the bushes, but agronomists believe that they may soon attack the buds which are just beginning to open.

It is proving difficult to control the caterpillars because they are resistant to nearly all types of spray. Morover, it is not easy to spot them, as they are the same colour as the leaves and only attack at night.

The affected bushes belong to Mr. Jorge Wolney Atalla, once an obscure businessman and now one of the world's largest coffee and sugar cane farmers. It is estimated that he owns at least 12m bushes.

Land dearer

By Our Commodities Staff

A SHARP fall in the amount of farm land offered for sale in England in the three months ended August produced yet another rise in price as bidders competed among themselves.

Only 12,900 hectares (32,000 acres) were sold compared with 16,800 (41,500 acres) in the three months ended July and 17,500 hectares (43,000 acres) in the comparable period of 1977.

Average price, at £3,121 a hectare (£1,263 an acre), was £46 (£19) higher than in the previous month and £703 a hectare (£285 an acre) up on a year earlier.

Growers attacked over rubbish in potato bags

BY A CORRESPONDENT

THE CHAIRMAN of the Potato Marketing Board has criticised English growers for selling "rubbish." Mr. Geoffrey Grantham warned that if they did not improve their quality, they could lose their lucrative market for earlies or new potatoes to overseas producers.

He told a meeting of Worcestershire and Herefordshire growers: "This year I found 5 kilos of rubbish in a 25-kilo bag of earlies from Lincolnshire.

"At that time, our own potatoes were selling for 6p a pound, whereas those from Cyprus and France were making 12p and 8p a pound.

"The Italians are continuing to increase their early potato acreage. The French have sent us an extra 15,000 tonnes this year. And my big fear is that English growers will give away their early markets."

Mr. Grantham said his condemnation of shoddy marketing also applied to growers of main-crop potatoes.

"It is foolish to put second-quality stuff on the market, especially when there is a surplus and when the money is there," he said.

"If you are selling a good product, you can name your price. If you are marketing rubbish, and too many growers are, you have to take what is offered.

"When growers were putting their potatoes into a bag straight from the field, it was easy for a picker on piecework to lob in a stone or two. English growers should improve their presentation because foreigners could give retailers a graded product that could be relied on."

Call to end cruelty, not live trade

By Our Commodities Staff

BRITISH SHEEP producers have raised their voices against the clamour for a ban on exports of live animals for slaughter.

The National Sheep Association (NSA) has written to Mr. John Silkin, Minister of Agriculture—who himself favours an end to the live trade—saying that cruelty should be prevented rather than live exports banned.

Mr. T. R. Johnson, chairman of the NSA council, wrote that the debate on the issue had become "emotive on one side and concerned with short-term commercial advantage on the other."

"Membership of the EEC demands support for the removal of barriers rather than their creation."

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Steady in routine trading, but the afternoon was very quiet. In the morning forward metal fluctuated between £770 and £774 with good volumes changing hands around £770-£772. Comex was little changed at the opening and in London a slightly easier trend developed. [illegible]

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £749.5, three months £772, 71.5, 71, 70.5, 70. Cathodes, cash £738, three months £758, 58.5, 59. Kerb: Wirebars, three months £770, 70.5, 70. Afternoon: Wirebars, three months £771.5, 72, 71, 70.5, 70, 69.5. Kerb: Wirebars, three months £769.5, 70, 70.

COPPER	Official	+ or —	p.m. Unofficial	+ or —
Wirebars				
Cash	749.5-50	+7	748.5-9	+4
3 months	770-.5	+8	769-.70	+4.25
Settl'm'nt	750	+7	—	.....
Cathodes				
Cash	738-.5	+7.5	756.5-7.5	-4
3 months	758.5-9	+8	757.5-8.5	+4.75
Settl'm'nt	738.5	+7.5	—	.....
U.S. Smt.	625	.....	65-66	.....

TIN—[illegible]

TIN	Official	+ or —	p.m. Unofficial	+ or —
High Grade				
Cash	7205-20	+170	7170-80	+4
3 months	6976-7000	+162	6945-75	[illegible]
Settlem't	7220	+160	—	.....
Standard				
Cash	7195-205	+155	7170-75	+22.5
3 months	6960-5	+100	6935-55	-2
Settlem't	7205	+155	—	.....
Straits E.	$1c80	+50	—	.....
New York	‡	—	.....	—

[illegible]

LEAD—[illegible]

ZINC—[illegible]

SILVER

[illegible]

ALUMINIUM—[illegible]

COFFEE

Robustas broke ahead in improved volume. Commission-house chartist buyers were prominent as the market breached August's highs. Drexel Burnham Lambert reports. Further buying in late afternoon prompted some stop-loss covering and at the close values were £45 higher on balance after an active session. [illegible]

RUBBER

[illegible]

GRAINS

LONDON FUTURES (GAFTA)—[illegible]

COCOA

Trading was dull for most of the day although the undertone was strong. Activity at the close took values [illegible]

SOYABEAN MEAL

[illegible]

SUGAR

LONDON DAILY PRICE (raw sugar) [illegible]

WHITE SUGAR—[illegible]

WOOL FUTURES

LONDON—Dull and featureless, reports Bache.

(Pence per kilo)

[illegible]

SYDNEY GREASY—[illegible]

NEW ZEALAND CROSSBREDS—[illegible]

MEAT/VEGETABLES

SMITHFIELD—[illegible]

rest nil). Maize other than hybrid for seeding—80.19, rest nil (81.60, rest nil). Buckwheat—All nil (all nil). Millet—44.55, rest nil (45.21, rest nil). Grain sorghum—88.95, 0.63, 88, nil (81.59, 0.63, 0.63, nil).

Flour levies: Wheat or mixed wheat and rye flour—125.72 (127.62). Rye flour—130.88 (130.89).

to 56.0. Imported frozen: NZ YLs 54.0 to 55.0.

Pork: English, under 100 lbs 37.0 to 46.0, 100-120 lbs 36.0 to 45.0, 120-160 lbs 35.0 to 43.0.

Grouse: Young Best (each) 190.0 to 220.0.

Partridges: Young (each) 200.0 to 240.0.

MEAT COMMISSION—Average fatstock prices at representative markets on [illegible]

COVENT GARDEN—[illegible] Celery—Per crate 0.60-0.90. Celery—Per head 0.06. Cauliflowers—Per 12 Lincoln 0.80-1.00. Runner Beans—Per pound Stick 0.10. Beetroot—Per 28-lb 0.60. Carrots—Per 28-lb 0.50-0.70. Capsicums—Per pound 0.30. Courgettes—Per pound 0.10-0.12. Onions—Per bag 1.50-1.60. Picklers 2.40-2.50. Swedes—Per 28-lb 0.50-0.60. Turnips—Per 28-lb 1.00. Parsnips—Per 28-lb 1.00-1.20. Sprouts—Per pound 0.07-0.09. Cobnuts—Per pound Kent 0.33-0.35. Corn Cobs—Each 0.04-0.05.

PRICE CHANGES

Price in tonnes unless otherwise stated.

[illegible]

* Nominal. † New crop. ‡ Unquoted. m June-Aug. n July-Sept. o Sept. r Oct. s Oct.-Nov. t Nov.-Dec. u Nov. w Dec. z Per ton. x Indicator price.

U.S. Markets

NEW YORK, Oct. 2.

Cocoa—Dec. 167.45 (167.55), March 166.90 (167.10), May 166.15, July 164.95, Sept. 162.35, Dec. 158.55. Sales: 294.

Coffee—"C" Contract—Dec. [illegible]

[illegible]

WINNIPEG, Oct. 2. ††Rye—Oct. 96.90 (97.50), Nov. 98.10 bid (97.00 asked), Dec. 99.90 bid, May 101.70 bid, July 102.00.

††Oats—Oct. 75.60 bid (74.10 bid), Dec. 75.00 (74.00 asked), March 74.60 bid, May 74.30, July 74.40 bid.

‡‡Barley—Oct. 71.00 (71.20), Dec. 72.00 (72.10), March 74.70 bid, May 75.00 bid, July 75.60 asked.

§§Flaxseed—Oct. 254.70 bid (254.40), Nov. 254.00 bid (254.00 bid), Dec. 259.00, May 256.70 asked, July 256.30 asked.

¶¶Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 177.24 (173.54).

All cents per pound ex-warehouse unless otherwise stated. * $s per troy ounce—100 ounce lots. † Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime steam fob, NY bulk tank cars. ‡ Cents per 56 lb bushel ex-warehouse, 5,000 bushel lots. § $s per troy ounce for 50 oz units of 99.9 per cent purity delivered NY. ¶ Cents per troy ounce ex-warehouse. || New "B" contract in $s a short ton for bulk lots of 100 short tons delivered f.o.b. cars Chicago, Toledo, St. Louis and Alton. ** Cents per 60 lb bushel in store. †† Cents per 34 lb bushel. ‡‡ Cents per 48 lb bushel ex-warehouse. §§ Cents per 56 lb bushel ex-warehouse, 1,000 bushel lots. ¶¶ $C per tonne.

FINANCIAL TIMES

Oct. 2	Sept. 29	Month ago	Year ago
256.59	253.74	250.61	237.19

(Base: July 1, 1952=100)

REUTERS

Oct. 3	Oct. 2	Month ago	Year ago
1509.9	1500.9	1471.3	1502.4

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	Oct. 3	Sept. 29	Month ago	Year ago
Spot	379.58	377.71	377.31	373.62
Futures	379.23	377.36	374.24	317.08

(Average 1924-25-26=100)

MOODY'S

Moody's	Oct. 2	Sept. 29	Month ago	Year ago
Spie Commty	958.3	956.2	939.4	827.5

(December 31, 1931=100)

★

GRIMSBY FISH—Supply fair and demand good. Prices per stone at ship's side (unprocessed): Shelf cod £4.50-£5.60, codlings £3.00-£4.00; large haddock £4.50-£5.00; medium haddock £3.50-£4.00, small £3.20-£3.60; large plaice £4.00-£4.50, medium £4.40-£5.50, best small £3.70-£4.70, large skinned dogfish £10.00, medium £8.00, medium lemon soles £6.60; saithe £1.40-£2.30.

Marcos threat to ban log exports

MANILA, Oct. 3.

PRESIDENT FERDINAND E. MARCOS threatened to outlaw the export of logs unless loggers voluntarily helped the Philippines Government conserve the nation's threatened forests.

"There has to be a stop somewhere," the President told a national forestry congress. "Even today I have reliable information that only 50 per cent of the loggers are voluntarily complying with my instructions."

President Marcos said he had already cancelled 120 timber licenses and said: "If necessary, I will cancel all timber licenses and institute the most draconian and most radical measures to protect our forests . . . unless I am convinced by arguments to allow exportation of logs to continue, it is my intention to stop it immediately."

RACAL BUYS

In a £378,000 deal Racal Electronics has acquired a further 69 per cent of Enquiry Systems, taking its stake in the message communications and telex management company to 89 per cent.

Racal said that the company—which generated sales of more than £800,000 last year and is to be renamed Racal-ESL—will concentrate in the high technology area of automatic desk-to-desk message transmission using microprocessor controlled equipment.

COMPANY NOTICES

Battles about reinsurance

BY JOHN MOORE

THE ARCANE business of reinsurance has hit the headlines in a big way this year. A string of disputes between reinsurance groups and other insurance concerns—the most notable between the Brazilian Reinsurance Institute and a Lloyd's underwriting syndicate—is being fought out in full public view. At the same time insurance experts are questioning the way reinsurers are going about their business and how they run their companies.

The increasing number of reinsurance legal battles and the searching professional debate stem from the underlying trading conditions in world insurance markets, which are affecting all insurance mechanisms. All insurance markets have become highly competitive in a way which some regard as very harmful to those operating within it.

Reinsurance, seemingly a remote and complex subject, performs a vital function within the insurance community which is simple to understand.

Defined, reinsurance is the protection that insurance companies and underwriters contractually arrange among themselves for the purpose of developing their own business. Often risks are too great for one insurer to bear solely on his own account. So he reinsures all or part of the risk with other insurance concerns or specialist reinsurance companies.

Reinsurance gives the insurance company the flexibility to accept risks of an amount and of a type which, without reinsurance, its capital would not be able to cope with. It allows insurance companies to grow in size and new insurance offices to be established.

Like the rest of the insurance industry reinsurance is highly cyclical. It expands when insurance companies' financial reserves are eroded by falling stock market values or underwriting losses. An above average rise of non-life reinsurance premiums between 1973 and 1976 in relation to insurance premiums was largely fuelled by such conditions.

In these circumstances claims could become onerous, particularly if inflation is increasing the value of the risks. New business is turned aside and an increasing amount of reinsurance cover is arranged. When this happened in the U.S. between 1973 and 1976—a period when U.S. insurance companies' operating results declined—London companies and Lloyd's provided the support for the U.S. domestic insurance market. Hard-to-place risks ended up in London and so did a large chunk of reinsurance. Over that period premium income from the U.S. to the UK is estimated to have risen by about 70 per cent to $2.8bn.

New reinsurance companies in the U.S. became established at an awesome rate, provided they had the backing from financially capable parent companies. The Prudential Re, a subsidiary of the Prudential Insurance Company of America, was formed in 1973 when it was underwriting net premiums of $51.5m. By 1976 the Prudential Re was underwriting net premiums of $178.7m.

Reserves

Since then the world insurance scene has changed. Stock markets have recovered and have made insurance companies' reserves healthier, and for the last few years there has been a relatively favourable claims experience in many classes of business.

Because of this, many insurers and reinsurers have felt able to dip their toes into insurance markets where sometimes they have little experience.

There is more willingness to insure and reinsure than there is demand to satisfy that willingness. This has provoked competitive conditions in certain lines of business the like of which has not been seen for years, for there is now a worldwide premium hunger.

Premiums in relation to the size of risk have been slashed to the bone. For instance, industrial fire premiums in Europe in relation to the value of insurance cover have fallen by around 25-30 per cent since 1973, and other property damage insurance premiums stand at rates lower than before the Darwin disaster of 1974.

Marine insurance has been hit by the slump in world shipping. With many ships laid up, less insurance is required by shipping groups. Aviation insurance With many ships laid up, less business has been trimmed as airlines operate leaner airlines preferring to operate wide-bodied jets. But the value of individual risks has risen, requiring perhaps some increase in reinsurance cover while premiums are pegged by competition. Other insurance markets are equally competitive.

Many of the major insurance and reinsurance companies are responsible for the poor premium conditions in the markets as are the new, aggressive and relatively inexperienced companies.

Rather than lose business and market share because of refusing to offer cut price premiums, the major insurance groups are often prepared to underwrite at a loss and hope that they can make up the difference with profitable business, or offset some of the setback with reinsurance. The reinsurer in turn adopts a similar philosophy.

However, the reinsurance groups have their own problems. With stockmarkets recovering there has been a growing tendency for insurers with improved capital bases to retain more of their premiums rather than lay off their risks in reinsurance.

The new boldness of the insurers has in turn led the reinsurers into highly competitive conditions. And they are finding it increasingly difficult to be selective in their choice of business, which is often unprofitable and troublesome. As reinsurers trim their own rates, the insurance companies in turn increase their business volumes to the reinsurer—preferring to take a commission on their risks while at the same time making sure that their profits remain more consistent.

In those conditions many reinsurers rely increasingly on their relationships with brokers in order to provide business flows. Here problems often arise. For the business is occasionally produced for the reinsurer by what a judge described in a recent action as "smart young men who get a lot of business in a short time but leave a lot of troubles behind them."

The broker's job is to secure the best possible insurance cover for his client at the best possible (or cheapest) terms with the companies. The eventual profitability on the insurance business does not matter to him because he is paid a commission based purely on the amount of business he produces.

Reinsurers, in turn, are becoming increasingly reluctant to settle claims which might be reasonably contested when premiums are tight.

Inevitably once a reinsurer becomes embroiled in a dispute, speculation mounts in insurance circles about its financial position. But the broader issue of the financial strength of reinsurance concerns is one which has been the subject of much professional discussion in recent months.

At the recent annual gathering of reinsurance professionals in Monte Carlo, Mr. Gunnar Benktander, a chief actuary of the Swiss Re group, gave a warning that "several of those reinsurance risk carriers which are active today, and at least on the surface seem to be solvent, will disappear within the next 10 years."

He stressed that the most important task of supervisory authorities was to secure solvency. Solvency is the relation between the size of the policyholder's surplus, the profit margin in the premiums, and the sensible net retention of an insurance company.

But many argue it is difficult to lay down solvency margins for reinsurance concerns because the margins depend upon the mix of their business and the policy they pursue on reserves. So opinions vary widely about what a suitable margin should be particularly to cover the eventuality of large claims arising from earthquake or severe storm damage.

Mr. Benktander also warned of the danger from the "cowboy" competitor who perhaps was not aware of the practical consequences of pared premium rates. "He is not eager to find out what his action costs because his first priority is to enter the market and create a position in it."

Surprisingly, for what has become an important function in the insurance industry, reinsurance is subjected to little in the way of government controls. Legislators have tended to concentrate supervision on the insurance companies because of their direct link with policyholders: the sharp end of the consumer market.

Catastrophe

What most fear in the insurance industry is that if a large natural catastrophe occurs then many reinsurance companies are likely to fail because of rate cutting and under-reserving (while direct insurers who have entered the reinsurance market are likely to pull out). Their failure to meet the claims will create a domino effect throughout the insurance market, causing many financial strains.

And yet, the industry argues, such a crisis is necessary to bring sanity back to the market. For it is only when the competition pulls out after a severe run of losses that premiums can again start to reflect the size of the risks which they represent.

FINANCIAL TIMES SURVEY

Wednesday October 4 1978

Kuwait Banking and Finance

Kuwait is one of the wealthiest of the Gulf States and a major source of aid to the Arab world. Its financial sector, though relatively unsophisticated by Western standards, is gradually increasing its international involvement.

Handling the surplus

KUWAIT'S ECONOMY and the handling of its finances are in many ways useful pointers to the future for those oil producers of the Gulf, Saudi Arabia and the UAE which can expect to continue generating surpluses in the future. Having in the 1950s been the first state to undergo the unsettling experience of suddenly becoming opulent, it has had longer to get over the euphoric extravagances that initially go with it.

Kuwait has become more expert than others at putting into order the day-to-day running of the economy. It has, at the same time, attempted to reach decisions on the sort of safeguards it needs to take against the day when oil and its direct revenues begin to decline: whether to diversify into large oil-related or unrelated industrial projects, economically viable or not, or whether, as it were, to treat its surplus as a natural resource replacing oil in the ground and live off them long term.

In reaching its conclusions, the Kuwaiti Government has been helped by various factors. First, Kuwait is a longer-term surplus state, which unlike Saudi Arabia, cannot possibly expect to absorb all its income. It has therefore been deliberate policy to invest abroad its money as a source of future income. Furthermore, even though its surplus from oil is bound to decline, as a result of the increase in the income from investments, Kuwait can look forward to its long-term total surpluses continuing to rise. Its assets at present are estimated to be in the region of over $30bn: composed of $26bn in the Reserve at the end of June, 1978; about $4bn in early 1978 held by the Finance Ministry for budgetary expenditure; and foreign currency holdings of the Central Bank put at $2.3bn in June by the IMF.

It fits into Kuwait's early acquaintanceship with wealth that it should have started channelling part of its Reserve into equity investment as early as 1952, when the Kuwait Investment Board was set up in London. Ten years later, the Government took a 50 per cent share with the private sector to establish the first of the now renowned "three Ks" the Kuwait Investment Company, which was followed by the Kuwait Foreign Trading and Investment Company (80 per cent government) and the Kuwait International Investment Company (KIIC) (private). Their activities, which are reviewed elsewhere, complement each other in their specialisations but reflect the long-established and growing role of Kuwaiti institutions (and not just Government-backed ones) in the management, underwriting and placement of funds—in effect the surpluses—on the international bond markets.

It was with this background in mind that in 1976 the Government set up the inviolate "Fund for Future Generations" derived from 10 per cent of all Government revenues, as a long-term pension fund. In the context of its earnings and investment, Kuwait has been as disturbed as others by the continuing weakness of the U.S. dollar. But this is more because of the short-term effect of fluctuations on the purchasing power of a barrel of oil than on the Reserve, which is invested on a 10-25 year time scale. But officials take comfort from the measure of diversification of their investments, which offers protection. But basically the long-term commitment—expressed in Kuwait's public support for the dollar—stems from greater confidence in the economy of the U.S. rather than in those of Europe. Or as Mr. Abdel-Rahman Attiqi, the Kuwaiti Minister of Finance, has put it :: there is no alternative to the dollar."

Manpower

A second feature has been manpower. Kuwaiti citizens make up less than half the population and the Government is acutely conscious not only of the social problems this could cause but also of the fact that this situation could become more acute if labour rather than capital intensive projects were selected (such as the LPG plant at Shuaiba whose first train starts operating this month).

In the process of working out these options, a paradox emerges. Kuwait is undoubtedly dedicated to the working of free market forces, but the Government intervenes directly—not least because it generates from oil such a high proportion of income—to an extraordinary extent in social affairs, and also predictably in the economy. Its intervention takes not only the form of Central Bank control of the commercial banks, its holdings in investment companies, which helps to regulate the pace of economic activity, but also such companies as the Kuwait Flour Mills or the National Industries Company.

It is not unfair to attribute as one of the initial motives for Kuwait's impressive aid programme its political vulnerability. The Kuwait Fund for Arab Economic Development (KFAED), now a model for Arab aid funds because of its political independence and capacity for making judgments on economic criteria was, after all, set up shortly after the Iraqi attempt to take over the country in 1961. Aid obviously remains an arm of foreign policy—a means of winning friends while trying to allay fears about security. Aid from Kuwait to lesser developed countries totalled (at current exchange rates) $6.6bn between 1962 and the end of 1977. It has stood at 9.4 per cent of total GNP over the past seven years.

The Kuwaiti Government is reluctant to reveal the details of its total money disbursed as grants and loans, but according to OECD figures concessional aid rose from $345m in 1973 to $925m in 1975, falling back to $527m the following year. Between those years the main recipients were the "frontline" Arab states: Egypt ($997m.), Syria ($374m), and Jordan ($298m). While the amounts of that type of aid have fluctuated, that provided by KFAED has risen rapidly since 1973. At the end of March, 1973, commitments the total value of loans approved stood at KD 140m, and five years later had risen to KD 475m. Although Kuwait officials are reluctant to say so, there has been a certain reservation about investments in the Arab and Third world not just because of lower returns, but also because of the security of investments and restrictions imposed by slow administration and changing laws. The formation of the Inter-Arab Investment Guarantee Corporation has reduced some of these risks.

Since the post-1973 boom relented there has been talk from time to time, admittedly of a somewhat unconvincing nature, of the need to introduce austerity into the economy. This partly reflects concern at the potentially damaging political and social effects of inflation and the uncontrolled speculation on the stock market and in real estate. At the same time, the budget for 1978-79 (ending June 30), provides in money terms for a freeze in spending on development, as the Government becomes more concerned with economising in view of the declining budgetary surplus, which was exacerbated last year by anxiety over the dollar's decline. Thus projected public expenditure is to total KD 1.95bn (£3.73bn), 1.9 per cent down on the previous year's projection of KD 1.99bn. Allowing for inflation estimated over the past year at 15 per cent, this represents a real decline.

The same applies to anticipated revenue for 1978-79, which (leaving aside interest from foreign holdings) is to reach KD2.3bn, compared with KD2.3bn in the previous year. Predictably, in spite of the Government's efforts to diversify, the bulk of this revenue, 95 per cent, comes from oil. And it cannot be underlined too heavily the extent to which it provides the foundations of the economy. Besides its contribution to revenue, it provides 91 per cent of total exports, 75 per cent of foreign exchange earnings and 70 per cent of the GDP. However, the budgetary surplus, after successive falls since 1975, is expected to record in the current financial year a rise of KD352m from KD285m. During 1978, it expected that total exports will fall by 1 per cent for the second successive year due to an anticipated decline of 8 per cent in crude oil production.

Local

Oil production in 1977 averaged 1.97m barrels a day compared with 2.14m b/d in 1976, and it is Kuwait's aim for fiscal and practical reasons to keep the level at 2m b/d. This is partly because of growing local needs, such as industry, electricity generation and for desalination plants and also to provide input for the LPG plant.

Kuwait may have some problems but it also does have the richest citizens on earth. According to the Union Bank of Switzerland the per caput GNP in 1977 was $11,950, representing a real rise of 4.8 per cent over the previous year. Unlike many countries where such a statistic represents mainly levels of direct Government spending, in Kuwait's case it reflects more genuinely the economic standing of the individual citizen in the light of long standing policies to redistribute the state's wealth as broadly as possible. Thus it has an advanced, craddle-to-grave social welfare system. Wages are kept high. The Government assists local businessmen. In addition there has been a long standing Government policy of buying expensive land from the public and selling it back cheaply.

Thus in the current financial year allocations for ordinary spending, development and property were up by 57 per cent, and the budget in outlining projects is more precise than its predecessors. The draft plan for 1977-81—but it should be remembered that planning in Kuwait is more of an exercise in notional guidelines than in drawing up precise targets—indicates that the state is aiming more at services than large prestige projects.

Kuwait, however, has an economy with a restricted absorptive capacity. Its agricultural potential is limited and its industrial possibilities only slightly less so. This has inevitably thrown the brunt of future property on financial institutions, and as a result they are more sophisticated than those of other states. Even Kuwait's chances of becoming an international financial centre are constrained by the fact that it does not permit foreign banks to operate in the state and puts severe limitations on the Kuwaiti stake in other institutions. Kuwait has thus witnessed with some envious [illegible] giving the growth of Bahrain's offshore banking and its primacy in managing a market for Kuwaiti dinars. Still hampered by an interest rate ceiling its commercial banks have lost out somewhat.

More recently a key development for the strengthening of the local market was the decision to amend the 1968 banking law. The new version was promulgated in October last year with the aim of stimulating the local capital market and banking scene as a whole. At the same time, the financial community realised that institutional shortcomings were holding back the development of an active market in Kuwaiti dinar-denominated bonds, largely because there were too few participants beyond the five commercial banks, the 3Ks and a fourth investment company, the Industrial Bank of Kuwait (IBK), and the two development funds, KFAED and AFESD.

Early in 1977 the Arab Company for Trading Securities (ACTS) was set up by IBK and KIIC to create an effective secondary market in bonds and other KD-denominated securities. This stimulated Kuwaiti banks to issue medium and short-term certificates of deposit (CD). There were a number of additional significant effects. First, the issue of CDs has opened the way to making available for local industries more medium and long-term credit. Second, it has given considerable impetus to the KD bond market itself. It has made the market more genuinely international. As a result more than half the institutions sharing in KD bond issues are non-Arab, comfortable in the knowledge that KD bonds can be bought and sold whenever they wish—and this consideration has become more important with the dollar's weakness.

In spite of Kuwait's development in its domestic market and its growing importance as part of the international financial system and as a regional centre, it has no pretensions towards being itself an international centre as such.

Anthony McDermott

International Markets

Steady growth continues

ONE DAY soon, Kuwaiti investment bankers hope, a really high class international corporate borrower will put a seal of approval upon the Kuwaiti dinar capital markets. In the meantime, they are making further strides towards improving the depth and sophistication of Kuwait as a financial centre.

Kuwait's powerful group of internationally orientated financial institutions has developed largely in reflection of the country's position as a chronic exporter of capital. Originally the Government was instrumental in setting up two of the big investment companies, to provide expertise in channelling the State's surpluses abroad.

Kuwait Investment Company (KIC) was set up in 1961 and is 50 per cent Government owned; Kuwait Foreign Trading Contracting and Investment Company (KFTCIC) was established three years later and features a Government shareholding of 80 per cent.

The third of the three "Ks"—Kuwait International Investment Company (KIIC)—is, however, entirely owned by the private sector. It was established in 1973, and since then a number of other private investment operations have been founded.

According to the Central Bank, 13 of the 17 investment companies subject to Central Bank supervision have been set up within the past four years. Some of these foreign shareholders, including foreign banks which are keen to get some sort of foothold in the protected Kuwaiti banking market, but under Kuwaiti law such foreign interests are limited to a maximum of 49 per cent.

The attraction of developing the investment sector comes from the fact that it makes sense to establish a financial services industry around the export of capital, just as it can make sense for an oil exporting country, like Kuwait to build refineries and a petrochemical industry rather than ship out low value crude.

Kuwaitis see the need to diversify the sources of income. As one banker put it: "Banks should be geared more and more to produce income for the country." There are problems, however. Even though the financial sector does not produce the pollution of a petrochemical industry, it does require large inputs of skilled specialist labour, which is in very short supply around the Gulf.

The three "Ks" continue to have a close relationship with the Ministry of Finance, and the Government remains by far the largest investor in the region, but the institutions have achieved some success in diversifying the sources of funds. A key factor in this has been the development of the KD bond market, which has been seen as a means of countering the exchange risk which looms large in the minds of investors in the Gulf.

Accelerated

A good deal has been achieved. It is five years since the first interantional KD bond issue was launched for the Philippines by KIIC, and the pace accelerated until 1976 when 13 issues raised KD76m. There was a reversal in 1977, when six borrowers raised only KD31m. But the market has picked up again much more strongly this year.

In the first nine months bond issues totalled KD93m with a trend towards longer maturities. The laest KD10m issue for Electrobas stretched out to 12 years ona coupon of 8¾ per cent—and this was, incidentally, the first issue for which the three "Ks" have combined in the management group.

Some dealers close to the marke expect there to ba number of other issues—perhaps as many as six or seven—before the end of the year, and the secondary market has greatly improved. But there is still a distinctly Third World look about the list of borrowers, and the KD market needs the appearance of some good names to avoid the impression that only those who have nowhere else to go make the trip to the Gulf.

One big problem is that the average international borrower is likely to be unfamiliar with the KD as a currency. Many will be under the impression that it is a much stronger currency than it really is—generally the KD is held fairly steady against a basked of currencies.

Still, with a permanent surplus the Central Bank can set the level of the currency very much where it likes, and it is a matter for conjecture what policy might be in, say, ten years' time. A stronger KD would trim the domestic inflation rate. On the other hand, Kuwait has provided very large sums in KD-denominated finance to developing countries, and any change in policy in favour of a strong KD would cause hardship to these territories.

A more fundamental problem is that there are no natural foreign borrowers of dinars, in the shape of foreign corporations which want to match KD assots and liabilities. In this sense, the KD is always going to be a rather artificial currency in which to borrow.

Kuwaiti financial institutions have also been very active in loan syndications, something of a boom area in the Middle East this year also a wave of Gulf borrowers have come to the market. An example was the recent $100m loan for United Arab Shipping Company, which was co-managed by KIIC along with Gulf International Bank and Union de Banques Arabes et Françaises.

Arab bankers have been seizing the opportunity to squeeze the big international banks and assert their dominance over finance in the Gulf. Most of this has been dollar business, however, and KD syndicated credits have been comparatively rare.

Still, Kuwaiti bankers point to the evolution of floating rate KD finance, with several instances of rates being linked to kibor (Kuwait interbank offered rate).

One recent loan with a KD element was a split facility—KD11.7m and $25m—arranged for Union Cement of Ras Al Khaimah, a company which is partly owned by Kuwaiti investors. The lead managers here were the Industrial Bank of Kuwait and KFTCIC. This loan was syndicated among 20 or so banks, and institutions, half of them in Kuwait, and almost all the rest elsewhere in the Gulf or with strong Arab connections.

While the Kuwaiti banks are keen to play a more active role in managing syndicated credits they are also anxious to see the major international banks investing in the Gulf area, and in this context there has been some disappointment that a number of foreign banks have turned down loans like that for Union Cement.

The difficulty is that the European and American banks have no real means of assessing the risks of Gulf projects. A quick phone call to a banker in Kuwait for an opinion is often the only method of credit screening — and that is not really a satisfactory basis for taking on commitments of any size.

However, it is inevitable that building an international capital market from scratch will take time. Considering that few of them have been around for more than five years, Kuwait's investment bankers have already come a long way. They are determined to go a lot further.

Barry Riley

Commercial banking

Competition begins to increase

HE NORMALLY rather cosy orld of commercial banking) Kuwait has recently become little less tranquil. As well as nduring a rather mild Kuwaiti ersion of a credit squeeze in 977—when at one time annual rowth of the narrowly defined loney supply dropped to round 15 per cent—the banks ave had to contend with the itrusion of the Bahraini Off-iore Banking Units into some eas of the Kuwaiti dinar oney and banking markets.

Expansion of the balance ieets of existing banks has so encouraged the Govern-ent to allow new institutions open up. Burgan Bank was unched last year, Kuwait inance House—which is to perate under strict Islamic w—has opened its doors ithin the past few weeks, and iere has even been the un-recedented appearance of a reign registered bank, Bank Bahrain and Kuwait, on the ene.

The pattern of commercial anking in Kuwait has normally een one of buoyant deposits id inadequate domestic lend-g opportunities. That is cer-inly the picture at present. he banks have become very quid, and while deposits grew nearly 7 per cent in the first alf of 1978, bank credit spanded at less than half that ite.

The slowdown in credit, in ct, dates from the third tarter of 1977. For a time iere was a corresponding iarp reduction in the rate of owth of the money supply in uwait, but the action of the overnment in pumping large ims into the stock market in support operation contributed a surge in the monetary gregates early in 1978.

The tailing away of the onomic boom during 1976 had ft real estate borrowers over-retched, and many importers und themselves carrying much rger stocks than they had in-nded. During 1977 many of iese positions were unwound, it construction and real estate ill bear the scars of earlier er-optimism, and demand has oved slow to recover.

There are signs, however, that ink credit has helped to fuel is year's stock market revival. iere are also indications that resurgence of trade activity s produced, within the past w months, a useful upturn in tter of credit business.

And interestingly, it does not pear as though the commer-al banks have succumbed at heavily to the temptation to bble more extensively in reign currency assets as a way employing domestic sur-uses. The banks' net foreign exposure and holdings of foreign investments rose only modestly in the first half of the year.

For the commercial banking sector foreign currency assets now represent only about a-third of the balance-sheet total, a far cry from the 54 per cent of 1974, let alone the 70 per cent of 1971. Besides reflecting the growth and development of the Kuwaiti economy, this pattern is also explained—particularly more recently—by the growing uncertainty over exchange rates.

Still, the Kuwaiti commercial banks obtain substantial deposits in dollars and other currencies in the normal course of their business, and in absolute terms their foreign currency business has continued to grow. Increasingly they now have the funding and staffing capacity to develop their own syndicated loan business: a number of substantial dollar credits have been arranged in the Gulf this year.

Interbank

The commercial banks have become internationalised in another way, in that there have been signs of a growing regional interbank money market involving Kuwaiti banks and banks elsewhere in the Gulf. To a large extent this market is in Kuwaiti dinars, and some of the most important participants are the OBUs in Bahrain. According to the Central Bank of Kuwait, KD time deposits maintained by the commercial banks with the OBUs amounted to around KD 187m at the end of 1977, while the OBUs had some KD 140m deposited with the Kuwaiti commercial banks.

Undoubtedly the OBUs have contributed to the development of the banking sector in Kuwait: before they came on the scene, there could scarcely have been said to be a KD money market at all. On the other hand, the OBUs represent competition for lending. Dinars deposited with the OBUs are liable to come straight back as competitive loans — and because the OBUs are permitted to operate on less stringent liquidity ratios than banks in Kuwait, they are often in a position to lend at finer rates.

However, on several occasions the OBUs have gone short of KDs and the Kuwaiti banks have had opportunities to bring home to the OBUs just where the domestic market is. The big advantage of the Kuwaiti banks lies in their possession of currency swap facilities with the Central Bank, so that they are under no pressure to supply the OBUs with KDs.

The last time this happened was in the middle of July, when overnight rates shot up to 10 or 12 per cent compared with the more normal 4 per cent or so.

Certainly the determination of the Kuwaitis to keep control of their banking system remains undiminished—and the decision to allow the Bank of Bahrain and Kuwait, registered in Bahrain and owned as to 50 per cent by Bahraini citizens, to open a branch in Kuwait City's commercial district cannot be taken as representing any kind of precedent.

There is a tortuous explanation for this concession, relating to the close historical links between Kuwait and Bahrain, and the granting of permission for an Offshore Banking Unit in Bahrain to the United Bank of Kuwait, a consortium bank. A number of Kuwaiti financial institutions, including commercial banks, own the other 50 per cent of BBK, and it was made a special case. Even so, it took three years before permission for a branch in Kuwait was finally given, and under its present licence no more branches are allowed.

BBK eventually opened for business in Kuwait last April, with independent capital of KD 3m. So far it has operated in rather unpromising conditions, with the other Kuwaiti banks all very liquid, and a general feeling that the other commercial banks, despite being its shareholders, are not very pleased at its presence.

BBK came on the scene just a year after the launching of the substantially larger Burgan Bank, which at the end of 1977 had total capital of KD 10.6m, and boasted a balance-sheet total of KD 176m. Burgan was set up after a period of extremely rapid expansion of the banking system in Kuwait —in early 1977 almost all the banks substantially increased their capital through rights issues.

It appeared that the Government wanted to establish a broad ownership for the new bank and stringent limits were placed on the size of individual private shareholdings. In the end, however, the Government itself took up 51 per cent of Burgan's capital: the Government already owned half the capital of the Bank of Kuwait and the Middle East, but does not have significant interests in the other commercial banks (apart from Kuwait Finance House).

It is particularly necessary in Kuwait for there to be a close relationship between the Central Bank and the commercial banks, for not only does the Central Bank impose liquidity controls and require regular reporting — on a monthly, quarterly and annual basis— but it also imposes a rigid system of interest rate controls. If this interest rate structure were to become unrealistic the banks would find their development severely hampered.

This threatened to happen until the law was changed in November, 1976, allowing the Central Bank the flexibility to change interest rates according to circumstances. The old rigid interest rate ceiling of 7 per cent was then abandoned, under pressure from worldwide interest rate rises.

The new structure, which was introduced in February, 1977, and has not been changed since, is rather complex. The maximum lending rate, which applies to loans in Kuwaiti dinars extended for more than one year, is 10 per cent, but a 7 per cent ceiling still applies for short-term secured lending for financing "productive" economic activities (such as imports, exports or construction). There is an intermediate 8½ per cent rate for "non-productive" lending. Meanwhile, small savers have been assured a rate of at least 4½ per cent on savings accounts, whereas 4 per cent had generally been paid previously.

Opened

These interest rate levels have opened the way for the banks to develop their term lending business. But there are still areas where they find it hard to operate—notably in consumer instalment credit, where the high cost of paperwork and bad debts cannot be accommodated within a 10 per cent ceiling.

Overall, the commercial banks in Kuwait currently present a healthy if somewhat unexciting picture. They are well capitalised and still expanding comparatively fast by international standards, although increasing competition and weak loan demand are putting their profits under a certain amount of pressure, while the recent new entries to the market have worsened the perennial problem of staff shortages.

Some bankers complain that the Government neglects the Kuwaiti commercial banks, preferring to place the vast bulk of its deposits abroad and favouring some of the other Kuwaiti financial institutions, notably the three "Ks." But it is also true that the commercial banks are isolated from the full blast of international competition, and are fortunate to be able to operate in a protected market consisting of the richest people in the world.

Barry Riley

State investment

Piling up the money

JLIKE MANY of the OPEC intries which suddenly came rich after the 1973 oil ice leap and have sub-juently managed to spend ir way out of surplus once re. Kuwait has been piling wealth for many years in past and is likely to do so the foreseeable future.

Kuwait has been learning w to live with its oil wealth ice the early 1950s, and in process has become one of world's most experienced, well as one of the largest. tfolio investors. For more n two decades the Ministry Finance has been accumulat-a reserve the size of which a closely guarded secret, but probably of the order of ibn.

The investment activities of Kuwaitis came briefly to olic attention in 1974. In t year the Government pped up a 14 per cent iity stake in Daimler-Benz, German motor group, and pped in during a takeover tle to buy the British perty company St. Martin's, ich was subject to an offer m Commercial Union.

The Kuwait Investment Office London bought St. rtin's for over £100m, and n held a somewhat tight-ped Press conference to olain the deal. But the waitis were surprised and set by the scale of the itical reaction to their pur-uses in both Germany and UK. Since then, their profile got lower and lower while ir portfolios have become ger and larger.

Rare insights into the KIO's itish shareholdings came en new disclosure rules ced owners of stakes of 5 per cent or more (against the previous 10 per cent) to come out into the open last year. It emerged that the KIO held more than £400m of British company shares, with a particular liking for insurance, banking and other financial holdings.

This British portfolio is, of course, insignificant in a global context, and the Kuwait Government now has some 17 portfolio managers in the major investment centres around the world. It is also a big investor in bonds, this side of its reserves being largely handled by the big investment companies in Kuwait —the three "Ks," KFICIC, KIC and KIIC.

The major development in recent years has been the setting up in 1976 of the new "Special Fund for the Coming Generations." Kuwait has less need than most oil producing countries to worry about what happens when the wells dry up, for at recent rates of production existing proven reserves would last for the best part of a century. All the same, concern about the eventual exhaustion of the oil wealth has become a political factor.

In the past the Kuwait reserves have occasionally been tapped for special purposes— such as grants to other Arab states at times of war, or for uncommercial aid-type loans and investments which are unlikely ever to be paid.

The concept lying behind the Special Fund is that a reserve can now be accumulated which is by law inviolable, and which can be invested in top class equities and other long term investments, with the assurance that these cannot be disturbed for at least 25 years.

To begin with the new fund had transferred to it some \$3bn worth of the most desirable assets in the existing reserves, and the 1975-76 budget surplus of \$1.75m. Since then, the Special Fund has received 10 per cent of the Government's total revenues, non-oil as well as oil. It should be emphasised that the entitlement is related to *revenues*, not *surpluses*.

The whole of the Kuwait reserves come under the authority of the Finance Ministry. They encompass a huge range of assets: cash and liquidity (which is kept in the form of negotiable instruments), government securities, corporate and institutional bonds, convertibles, equities and property.

Equity

There are also direct equity investments in the Arab world and elsewhere, the capital of the State institutions (including the Central Bank, the Kuwait Fund for Arab Economic Development and Kuwait Airways), loans to an investments in Kuwaiti public companies, loans to the IMF and the World Bank, contributions to oil producer sponsored project aid funds, investment companies and recycling institutions, and bilateral government-to-government aid loans.

The extremely long time scale for investment naturally lends a certain detachment to the Kuwaiti point of view. Short-term problems such as the weakness of the dollar really only concern them to the extent that they hold cash balances in advance of expenditure.

To the short-term investor the weakness of Wall Street, exacerbated by the weakness of the dollar, represents a severe performance problem. In contrast the Kuwaiti Ministry of Finance, taking a 25-year view, is likely to conclude that it is even cheaper to buy dollar assets, while the fall in value of its existing investments represents only a temporary fluctuation.

Certainly the Kuwaitis have adopted very conservative investment policies. They are not known for switching large investments, or trading out of one market into another. It would, of course, be very difficult for them to embark upon active portfolio management with \$25bn of assets, for attempts to shift even a fraction of these investments would lead to chaos on the stock markets and foreign exchange markets of the world, and would be self-defeating.

The Ministry of Finance is prepared to move its cash balances around as far as it can to avoid losses. But Arab Governments resist any suggestions that they actually engage in currency speculation as such, in the pursuit of short-term profits.

The topical problem is, needless to say, the weakness of the dollar, and this certainly makes for difficulties for the Kuwait Government in budgeting and making revenue projections. But as far as the long-term is concerned, it looks as though the Kuwaitis are still strongly backing the U.S.

To an extent this is because only in the U.S. are the capital markets large enough to cope at all easily with the immense impact of their investment revenues. But it is also because on a 25-year view the U.S. looks a more certain political prospect than alternatives like Europe.

B.R.

The Stock Exchange

Social as well as a business forum

AN EVENING stroll on to the trading floor of the Kuwait Stock Exchange—which is open until 8 p.m. each night—is a social event as well as an opportunity for a financial flutter for wealthy Kuwaitis.

They do not need to be members, for this is a remarkably unstructured stock market with no formal membership of any kind (though brokers need a Government licence). They do, however, need to be wealthy. The minimum trade is a 1,000-share block, which for one of the popular bank or financial shares could easily mean an investment of well over KD 10,000, equal to more than $35,000.

Statistically the market is full of surprises. Thus National Bank, the country's largest, is capitalised at no less than £550m—or roughly the same as the Midland or Lloyds in London. Yet the National Bank disclosed net profits of a mere £9.5m for 1977, and showed shareholders' equity of around £100m, only a fraction of that displayed by the above British clearing banks.

This is typical of the hair-raising share valuations to be seen on the Kuwait market—hair-raising, that is, to observers accustomed to the more down-to-earth ratings which apply in New York or London.

Yields are rarely much more than 1 per cent and often less. Price-earnings (p/e) ratios, seldom calculated, are typically in the range from 30 to 80. In the case of the banks, for instance, the average p/e is around 60—and this is calculated on the basis of profits which bear no tax other than the 5 per cent of profits which Kuwaiti companies are obliged to set aside in favour of the Kuwaiti citizens who alone can own shares. Given the Kuwaitis' liking for quick deals, and the fact that they are among the richest people on earth, the giddy level of share prices becomes a little less surprising. The total equity market capitalisation is now of the order of KD 3bn.

What makes the Kuwait stock market particularly unusual is its degree of concentration. It is reckoned that the active share trading community consists of no more than 500 or 600. There are only 36 companies listed by the exchange. Yet in terms of turnover it ranked as the twelfth largest in the world in 1976, coming ahead of markets like the Brussels or Italian bourses.

During last July, a busy month, shares were traded to a record value of KD 204.5m, or some £380m. London equity turnover for that month, calculated on a comparable basis (ignoring London's double counting) was roughly £800m. Brokers' commissions in Kuwait are, however, tiny compared with the London scales, and of course there are no stamp duties to inflate the cost of trading.

Naturally, such a narrowly based stock market can be volatile. The boom in the Kuwaiti economy which followed the surge of oil revenues in the mid-1970s was spectacularly reflected in share prices. Indices are not available for periods before the beginning of 1976, but from that point on the bull market is well recorded.

Profits

Taking January 1, 1976, as 100 the unofficial All-Share Index reached over 250 by early December of that year. Huge profits being made during this period from the property boom helped to fuel the stock market's rise. Property shares, in fact, led the way for other sectors, with a roughly four-fold rise, while the investment companies, which were also heavily involved with property, followed closely behind.

Eventually the property boom ground to a halt, however, and the stock market followed suit. Once it had stopped rising it ran into technical weakness which resulted from the Kuwaiti system of forward dealing. Shares are bought at a premium for settlement up to a year ahead—a premium which reached 25 per cent at one stage in 1976. When these commitments became due for settlement during 1977 some individuals found themselves overstretched.

Moreover, many companies, notably almost all the banks, took the opportunity to launch rights issues early in 1977. This took something like KD 120m out of the market.

Several non-Kuwaiti companies also tapped the market at about this time — like the Sharjah Group which is reckoned to be 95 per cent Kuwaiti-owned but is not eligible for a listing in Kuwait (which does not prevent lively unofficial trading in the *souk*).

Amid all this, company profits for 1976 turned out — except for the banks—to be disappointing. The whole Kuwait economy suffered something of a pause at about this time, with credit getting generally tight in the face of an over-enthusiastic property market and excessive stocks in the hands of importers.

Yet there was no catastrophic decline, just a drift, with the All-Share Index declining to a low of about 155 in December 1977. This fall of about 25 per cent was not unusual even by the standards of, say, London or Wall Street. But the Kuwait Government intervened on a drastic scale to stop the rot.

In a move which says a lot about the paternalistic style of the Government of Kuwait the authorities stepped in as unlimited buyers of shares at prices fixed on a formula related to recent lows. In all this move cost the Government around KD 150m—more than half of which was taken up by eager shareholders of United Real Estate and Gulf Insurance who had had their fingers burnt in the property market. By contrast no bank shares were sold to the Support Fund.

When the fund was closed on April 8 this year there followed a series of share splits by companies aiming at improving the marketability of their paper. There were three waves of these splits in April, May and July whereby companies slimmed their shares, often with a nominal value of KD 7½ or KD 10, down to KD 1 form.

As the impact of these moves began to be felt, and as credit conditions became once again very easy, the market started to boom again. Recently the All-Share Index has been pressing up through its 1976 peak, representing a gain of roughly a quarter so far in 1978.

Although one or two more rights issues are in the offing—one is under way from National Industries—the market overall looks quite firm and solidly based. There is beginning to be optimism about the 1978 profit figures (all companies report for the year to end-December).

One of the market's strengths is the freedom with which dealings can take place in many leading shares. Very large trades can take place without much impact on prices—on one day recently, for instance, shares in Kuwait International Investment Company worth over KD2m (£3.7m) changed hands but the deals led to only a minor fall in the share price.

The Kuwait stock market remains very loosely structured. Indeed there is no legal framework, or even a book of rules, to govern its operations. Until recently the market was entirely unofficial.

However, in November, 1976, the Ministry of Commerce set up a Securities Committee to prepare for the establishment of a formal stock exchange. John Hollis, formerly head of public relations at the London Stock Exchange, was brought in as an adviser.

In April 1977, a temporary trading floor was opened and the market now features price display boards and a closed-circuit TV system to relay prices to brokers' offices. Plans are being made for a purpose-built stock exchange building but it may be four or five years before this is ready.

Meanwhile the introduction of a system of formal stock exchange rules is believed to be under consideration. In the longer term too some thought may need to be given to the relationship between the stock market—which deals only in equities—and the KD bond market, which has developed entirely separately. There is also some debate over whether non-Kuwaiti shares—notably those of companies registered in other Gulf States—should be admitted to official listing.

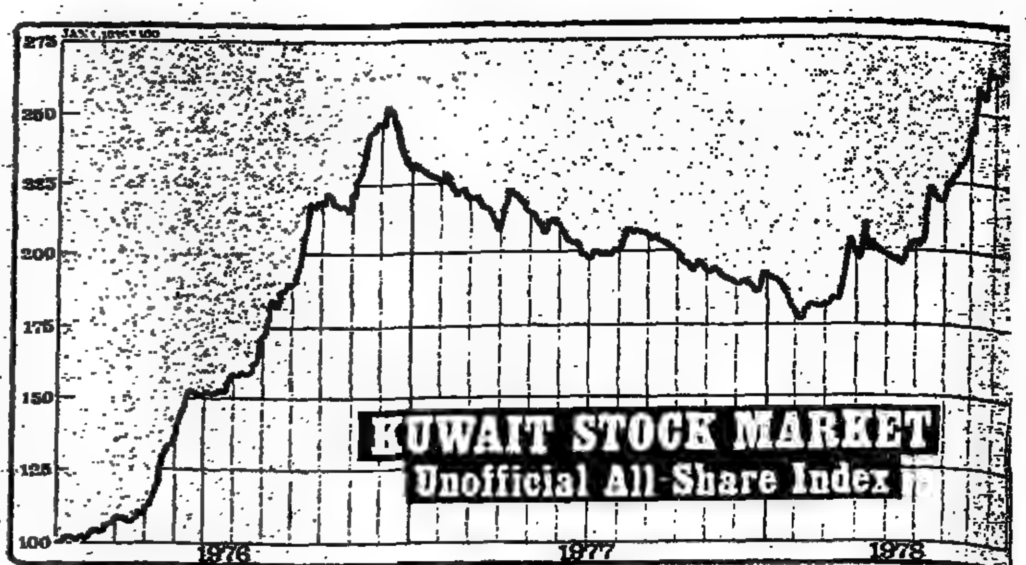
An opening up of the Kuwait Stock Exchange, however, could easily undermine the very high valuations which depend essentially on the market's exclusivity. The Government's attitude is likely to remain crucial. Will it consider selling back the shares it has bought within the past year (and on which it is currently showing a useful paper profit)? Will it permit a wave of new issues which could greatly increase the supply of shares?

It is plainly very attractive to company promoters to float new companies off at huge earnings multiples and at values representing many times the original capital invested. Moreover, the cost of new capital via rights issue is extremely low and attractive to companies already listed.

The requirements for listing are only that a company shall have traded for a year and published a set of accounts. Burgan Bank, for example, only opened its door on April 27, 1977 and obtained its market listing on May 1 this year. Incidentally, Burgan claims to have no fewer than 314,000 shareholders—a reflection of the right of all Kuwaiti citizens to at least one share in any new flotation.

Three companies are currently expected to seek listing on publishing their first accounts in 1979. But there is no sign of moves by existing private companies to become public and obtain market quotations.

B.R.



The Secondary Market

Moves towards added strength

A HEALTHY primary capital market can only be built upon the basis of an active secondary market, and financial institutions in Kuwait have been working hard in the past couple of years to fill yawning gaps in the country's financial infrastructure. The result has been a dramatic improvement in the degree of sophistication of Kuwait's capital markets.

Although bond issues denominated in Kuwaiti dinars have been made for a number of years, and from about 1974 on were nominally public issues, in practice such bonds were swallowed up in Government and other portfolios and the issues amounted to little more than private placements. Secondary markets were rudimentary, and bonds could be traded in amounts of no more than about KD 25,000 on a one-point spread.

The domestic bond issues of 1975 and 1976 by the Industrial Bank of Kuwait were thought more likely to result in active markets, but in practice their classifications as liquid assets by the Central Bank of Kuwait meant that they were quickly swallowed up in banking portfolios.

The banks were meanwhile exploring ways of lengthening the maturity of their deposits, which to an overwhelming extent were short-term (though the development of the Bahreini OBUs, which are very active in the KD markets, had been greatly improving the effectiveness of interbank dealings).

Issuing certificates of deposit (CDs) was an obvious way for the banks to achieve their objective — but this came up against the problem of the absence of an effective secondary market. The banks would have risked giving KD CDs a very bad name if holders had found it impossible in practice to trade the paper.

The key development was the appearance on the scene of ACTS, a market maker with a no-nonsense name, the Arab Company for Trading Securities. The decision to launch ACTS—owned 65 per cent by Kuwait International Investment Co and 35 per cent by the Industrial Bank of Kuwait—was taken in 1976, though it was April 1977 before operations started.

The impact of ACTS has been rapid and substantial. In the bond market it is now possible to deal freely in amounts of KD 100,000 on half-point spreads, and there have been important benefits to the primary market.

Before ACTS was launched there were 22 KD bond issues in public hands, all of them quoted at a discount. Since ACTS has been in operation, however, another 15 issues have been launched on a declining trend of coupons and with maturities gradually extending as far as 12 years. The total float of KD bond issues is now some KD 330m.

Once ACTS was trading successfully, moreover, many banks became convinced that the time had come to test the water with CDs. In October 1977 Gulf Bank announced the issue through KIIC of £6m of tranche CDs, with maturities ranging up to 2 years.

Two other commercial banks, Alahli and the Commercial Bank of Kuwait, have also issued CDs, as have two of the specialist banks, IBK and Kuwait Real Estate Bank. All except Alahli are now offering tap CDs, and maturities extend to 3 years. Another innovation was KREB's issue of the first KD floating rate CDs in April this year. The total of KD CDs now in issue is estimated to be just over KD 100m.

With a capital of KD 1m, ACTS is strongly backed by its shareholders. It publishes a weekly comment on the bond and CD markets. And as part of its broader market-making function is trying to improve the depth of the KD bond market and develop a retail market which it claims other Kuwaiti institutions have been neglecting.

According to ACTS manager, Yusuf Abu Khadra, useful demand has been building up among expatriates, like Egyptians, who are attracted by the 8½ or 9 per cent return on bonds compared with only 4½ per cent on savings accounts.

But it is less easy to attract the interest of Kuwaiti citizens who—unlike expatriates—have access to the much more lucrative property and share markets. To the Kuwaitis bonds seem rather tame. At the same time, however, ACTS is attempting to set itself up as something of a training school for Kuwaiti citizens in the operation of capital markets, and around 15 have passed through the company's departments so far.

Besides KD bonds, CDs and promissory notes, ACTS makes a market in four U.S. dollar issues which were effectively placed around the Middle East. It is also looking at the possibility of trading in other Gulf issues such as Bahraini dinar bonds.

But can one market maker create a proper secondary market? It is true that the presence of ACTS has encouraged other Kuwaiti financial institutions to trade more actively in the market. But many in the Kuwait financial community feel that more market makers have to appear on the scene and the secondary market has to survive a test of harsher credit conditions before the KD markets can be approached with full confidence.

It is noticeable, for example, that two of the large commercial banks, including National Bank of Kuwait, the biggest of all, have declined to issue CDs so far.

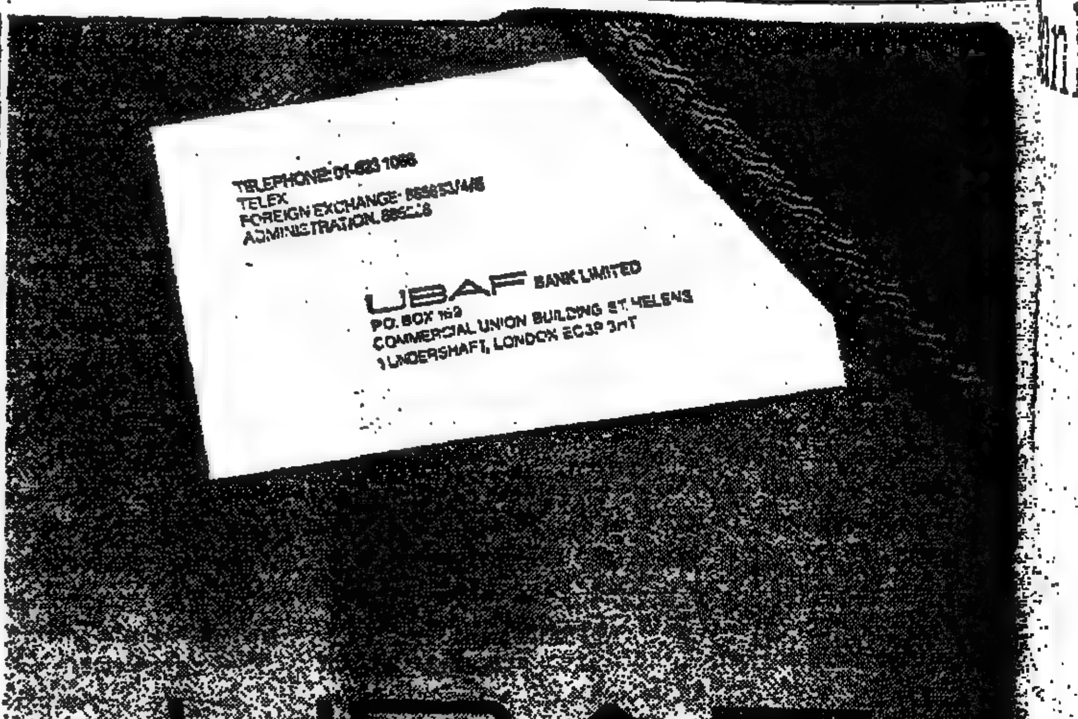
According to one banker: "We would want to see the market tested when rates were beginning to move up. At present we can't promise our customers that the market will be liquid. We might find ourselves having to buy the CDs back again."

The very success of ACTS in developing the market has meant that in these early stages it has been operating in favourable trading conditions. Instead of the discounts when ACTS arrived on the scene, virtually all KD bonds are now quoted at par or above. Moreover, [illegible] rates for CDs have been steady to slightly easier during the past year or so during which the market has been opened up. Recently, though, the CD market has become very quiet.

The question is how much stock ACTS would be able to take on to its books in adverse conditions. That must be a moot point, and in any case there are no precedents to suggest just how KD investors might behave when interest rates were rising.

One way of tackling the problem would be the establishment of more market makers, and this is certainly something that has been widely canvassed. The other investment companies KIC and KFTCIC are thought to have bond and CD trading operations under consideration, and some of the other banks and financial institutions would certainly back such market-making operations even though they may not be prepared to initiate them. The general expectation is that ACTS will be joined by further market makers within the next year.

B.R.



KUWAIT BANKING AND FINANCE V

Property

Bedrock of local investment

n a year or so's time I can e that there will be quite ge areas of Kuwait—whole eets in some places—which l be looking rather fine. My end, the city will be magni- ent."

This observation by one of best of Kuwait's young operty developers is sympto- tic of the change that is over- ing the city. Hitherto con- cuously drab, combining the al destruction of the old sea- ing town with the worst of ap modern architecture, it now seeing some really im- ssive buildings coming into vice, buildings which reflect new-found pride of their ners as well as the more npetitive market.

The best known and most pired of these is the yellow ne headquarters of the wait Fund for Arab Econo- Development, though a few ndred yards away down barak al Kebir Street the wait Soukh building and the headquarters of the Gulf nk and the Commercial Bank a row give a better impression what Kuwait might look like the future.

Anyone coming new to wait is bound to wonder why lid not seize the opportunity lier—at some point over the 25 years or so—of turning lf into a bold and beautiful mple of the best of later ntieth century town plan- g and architecture. But to agine that the Government ld have done to Kuwait what ussemann did to Paris 120 rs ago is to credit traditional ibian government with more olute authority than it sesses and be ignorant of the ial significance of land and perty in Kuwait.

From the time when the vernment first found itself eiving more oil revenues n it could spend on conven- ial development in 1952 and 3, State land buying became principal means by which revenues were transferred the hands of ordinary waitis—other methods being payment of very high aries for government jobs the provision of lavish lfare services.

The exact mechanics of land ing have varied from area to a according to time and cumstances. Typically the te buys land at the market ce or a bit over, zones it, talls services and infrastruc- e, and then sells it off for ther development or private ising at only slightly more n it paid in the first place.

From the point of view of the atively "poor" Kuwaiti, this may involve his selling land in one area at a high price and then, being sold land with services provided in a lower price area elsewhere—at the same time receiving a cheap loan with which to build a house. In other cases the Government buys land and then leases it back to private developers. Overall it owns about 90 per cent of the land in Kuwait city.

The outcome of the State's generosity has been to make land the most active and profit- able sector of the Kuwaiti econ- omy and to give 70 per cent of Kuwaiti nationals an income from property. For the ordinary Kuwaiti—who sees little of the oil industry—land is his coun- try's biggest business.

Against this background it is easy to see why in the past the Government allowed some very third-rate development to take place. To have intervened would have hindered the funda- mentally important process of allowing Kuwaitis to enrich themselves, in most instances at the expense of the immigrant or expatriate population. Likewise it is easy to understand how many development projects in- volving land purchase in Kuwait take an extraordinarily long time to get started.

Traced

The beginnings of the new trend towards better buildings can be traced from the comple- tion in 1971 of the Marzoukh Pearl. At the time this large apartment block, built right on the point where Kuwait Bay ends and the coastline turns south, was unique on at least four counts.

It was the only residential building in Kuwait or its suburbs built on the beach with a private beach area; it was the first duplex apartment in the State (and by normal standards its apartments were very spacious); it had self-contained amenities including a super- market and a hairdresser; and it had owners (Khaled Marzoukh and his brothers) who were pre- pared to spend a lot on main- tenance.

Within a year the building became the first asset of the Kuwait Real Estate Company, promoted by the Marzoukhs, and this company was followed in turn by the United Real Estate Company and the Kuwait National Real Estate Company (both of them public companies like the Marzoukh company), and more recently by some half- dozen closed shareholding companies.

Generally speaking the Kuwait National Real Estate Company, which includes the Ministry of Waqfs (religious endowments), the Orphanage Fund and the Credit and Savings Bank among its shareholders, is reckoned to be less aggressive than the other two. All three companies rely on their capital and reserves plus bank loans for their resources; they do not take deposits as the Kuwait Real Estate Bank does.

The Real Estate Bank was founded in 1973, partly on the initiative of the Kuwait Real Estate Company, with the specific purpose of taking time deposits and savings accounts from the public (only borrowers may have current accounts) and lending the money to property owners—either companies or individuals. Loans must be secured on property but they need not be used for property development—indeed, the Bank aims specifically to avoid financ- ing private house-building, which is the province of the old-established Credit and Savings Bank.

It is the property and invest- ment companies, with the backing of the Real Estate Bank, rather than individual developers, who are now setting the pace in improving the quality of buildings. Two of the best-known developments of recent years—the Kuwait Soukh and the South al Kebir — are owned by the Kuwait Real Estate Company, while one of the most talked-about develop- ments now under way combines an office building, a Meridien Hotel and a shopping centre, and is being built by the Sal- hiyeh Real Estate Company—a closed shareholding company partly owned by KIIC.

There is more to the com- panies' emphasis on better building than the three-pronged influence of the desire to emulate the Marzoukh Pearl for prestige reasons, the greater aesthetic consciousness of the new inflow of expatriates and of the Kuwaitis themselves as they travel more and the longer-term view that is bound to be taken where corporations rather than individuals are investing. The Kuwait market itself has changed in such a way that better buildings have become an economic necessity for the investor.

For a start the cost of build- ing has gone up to a point where it is now impossible to get one's money back in two or three years, as lucky investors were able to do at the beginning of the 1970s. Then construction costs were about KD 30 per square metre of floor space, whereas a good building will now cost about KD 170 per square metre and a poor build- ing KD 130. Either way the developer has to put up a building which is going to last longer if he is going to recoup his costs and the gap in costs between the good building and the poor building is not big enough to justify the lower rents and occupancy levels which the poor building will command.

At the same time the more farsighted developers—particu- larly the companies—have been able to see over the past five years that the property boom, which at its peak in late 1976, saw office rents running at KD 12-14 per square metre per month, would not go on for ever, and that when the bubble burst (the slump reached its bottom in October, 1977) it would be the better buildings that would have the highest levels of occupancy and their rents hold up best.

Improvements

Yet despite the improvement in standards to levels equal to the best in the West, there are still two major factors on the Kuwait property scene which make it very different from the West. The more "visible" of these is the environment, which is unusually severe, combining great heat, occasional sand storms, and high humidity lead- ing to a high salt content in the air in certain months of the year. Cheap contractors have sometimes added to these problems by using saline water, sand and aggregate. The heat may cause cracking in struc- tures where the builders have not put in expansion joints, the sand gets into machinery and the saline humidity corrodes metal—particularly central air- conditioning plant installed on roofs.

For the owners of the newer property developments, the tough environment means using stronger and better quality materials than may be needed in the West, and ensuring that mechanical apparatus — air- conditioners and lifts especially —as well as paintwork are very carefully maintained. In prac- tice there is no question that the materials being used in the most modern buildings in Kuwait and elsewhere in the Gulf are now much better than they used to be, but whether the buildings will be well main- tained, given the terrible past record of most property owners in this respect, remains an open question.

The other conspicuous differ- ence between the property busi- ness in Kuwait and its counter- part in, says, London, is the attitude of Kuwaitis to the value of land. In valuing a plot of land the normal Western approach is to start by taking the capital cost of construction, calculate what rent should be obtained from the building after operating expenses, and select a figure which would represent a reasonable profit. Then capital costs plus profits are deducted from the rent, and the residue represents the value of the land.

But if this technique is applied in Kuwait—or else- where in the Gulf—the figure arrived at will be far below what the market will pay in practice. Conversely, if one takes land prices paid into account when working out what levels of profits Kuwaiti property owners are making, the outcome would suggest that they are making losses on their operations — whereas normally their profits are regarded as enormous by Western standards.

This suggests that the Kuwaitis regard land as an investment in itself—as an asset which can only increase in value and which should not be expected to yield an income as well. Given their traditional attitude to buildings as things which will fall down in 10 years and can be written off in five, their view of land as a separate, more permanent investment is not illogical. They are also safe in assuming that land prices will continue to rise indefinitely, because the Govern- ment, already owning 90 per cent of the land in the city, is *buying more land every year*, and would be most unlikely ever to do anything to depress land prices.

With their attachement to land—which gives the Kuwaitis much greater reassurance as investors than bonds and share certificates—it is hardly surpris- ing that land has been a major element in the foreign invest- ment of both public and private sectors. Most private investment has been in personal homes— ranging from flats to country mansions—together with apart- ment blocks in Beirut and Cairo, though there have also been in- stances of Kuwaitis buying blocks for letting in London or joining with other Arab inves- tors to buy hotels.

At an institutional level, the major traditional investor has been the Kuwait Investment Company—the only one of the "three Ks" to invest signifi- cantly in foreign property. In the past KIC has owned a big apartment block in Houston and a disastrously unsuccessful block in a Uruguayan beach re- sort; at present its investments are Kiwa Island (on the coast of South Carolina) which it is developing as a holiday resort, and a Hilton Hotel and office building in Atlanta, Georgia.

The most spectacular foreign property investments have been made by the Finance Ministry, which handles the State reserve —though in terms of the total value of property actually bought rather than planned the Government's investments may not be greater than that of the private sector. Part of the Finance Ministry's holdings are made up of various one-off pur- chases—notably a large piece of land on the Champs Elysees, the St. Martin's Property Cor- poration in London and the Tour Manhattan in Paris—but for the most part it invests through special property port- folios managed by Chase Man- hattan and Bank of America in the U.S. and by its London offshoot, the Kuwait Invest- ment Office, in Britain.

Within the Arab world the Ministry is concentrating its investment through the Kuwait Real Estate Consortium—hav- ing revised earlier schemes to make some investments through the Kuwait Airways Corporation and the Kuwait Hotels Com- pany—which itself owns shares in hotels in Khartoum and Cairo. The consortium, to which the Ministry has pledged $1bn, was set up in 1975 by the Minis- try, the three Ks, the three public property companies, the Real Estate Bank and the Hotels Company, with virtually the sole purpose of arranging Arab world outlets for govern- ment property investment. To date this has not involved much more than the signing of pro- tocols with various deficit Arab governments or the establish- ment of joint property invest- ment subsidiaries in the reci- pient States.

Michael Field

The Law of Islam

Banks for the faithful

"O ye who believe! Observe your duty to Allah, and give up what remaineth from usury, if ye are believers. And if ye do not, then be warned of war from Allah and His messenger. And if ye repent, then ye have your principal. Wrong not, and ye shall not be wronged."

AMIC SCHOLARS have er been happy about the stern banking practices ich have become established oughout the Moslem world, the past few years have n attempts in a number of ntries to set up Islamic ks which do not offend con- vative members of the Faith. s movement has now reached wait.

t is thought that the Emir self is behind the Kuwait ernment initiative which has to the setting up of the wait Finance House. Cer- nly the Government has blished a special law under ch it can operate and has up 49 per cent of the 10m capital, of which 2.5m has been paid up ally.

ebate has centred around Islamic prohibition of ry. Already the Kuwait ernment maintains strict trols on permissible levels nterest rates, but this is not ugh to satisfy strict inter- ters of Shari'ah law.

rguments are still going on ong scholars to decide what or is not usurious, what is erest, what is profit and yield busines contracts. Now the ernment has set up a waiti shareholding company cifically to engage in finan- insurance and various ns of investment activities hout practising usury or rging interest.

This comes three years after establishment of the Islamic k of Dubai. Roughly ilar institutions include the mic Development Bank in di Arabia, Bank Faisal in artoum, and Nasser's Islamic k in Cairo, while there are ns to set up a similar opera- in Jordan.

Kuwait Finance House FH) opened its doors on gust 31. Judging by the nber of Kuwaitis crowding modest banking hall one ent morning it has made an immediate and significant im- pact. No figures are available but KFH claims that initial de- posits are far beyond what had been projected. "They are ten times as much as we had expected," said a spokesman.

The key point about Islamic banking is that all forms of in- terest payments and receipts are banned. Such an organisa- tion therefore has to operate on the basis of profit sharing and permissible charges or commis- sions. KFH will consult with experts, sometimes outside Kuwait, in order to be sure that its activities—which under its articles of associaton may cover a very wide field—shall be car- ried out "without practising usury in any form whatsoever."

For a start KFH is offering normal current account facilities to its customers, and savings accounts. Longer term deposits are being obtained through the issue of certificates of deposit (CDs). Time CDs are allocated a share of profits for a specific period. There are also certifi- cates of unconditional contin- uous investment deposits which will run for a year or more. Funds obtained in this way will be available for investment for relatively long periods by the bank.

In addition KFH aims to operate in the wholesale money markets. How it intends to do this on a non-usurious basis remains to be seen but it claims to be developing working rela- tionships with other banks, both local and international. Wells Fargo is mentioned as one bank with which agreement has been reached.

On the lending side KFH is dipping its toe in the water care- fully. It is just beginning to finance letters of credit, which will be done on the basis of a fixed charge. In the future will come the extension of credit to small businesses on a percentage profit-sharing basis, and in due course the bank may invest in a wide range of projects.

KFH will operate under a carefully controlled term struc- ture. Current and savings accounts, immediately withdraw- able, will be separated from the longer term deposits committed for conditional or unconditional investment (conditional deposits will be linked to a particular project).

The proportion of working capital to be used for financing any one project is not to exceed 5 per cent, and the limit for all short, medium and long- term projects is to be 30 per cent. On the other side the degree of participation in any project is being left to the discretion of the directors.

Qualify

Deposits committed for investment will qualify for profit distribution on a pro rata basis with the capital of the company. If the distribution exceeds 20 per cent an extra rate of distribution of up to 10 per cent may be assigned to the capital. Strictly speaking, depositors will also share in any losses if the bank should fall on hard times.

The continuous investment deposits will earn the highest return. Savings deposits are to be offered a lower rate of profit participation, and time deposits are to be offered something in between. It seems that the amounts distributed will be very much at the discretion of the directors, although the articles provide that 5 per cent of profits shall be set aside as a first portion of the earnings to be distributed among share- holders and investment depositors.

Clearly KFH is very much an unknown quantity at this stage. Its likely return to depositors is a matter for guesswork — though the Dubai bank is claimed to be paying out good profits. Yet there is a strong religious pull among the more conservative sections of the population.

Many citizens refuse to accept interest on their savings accounts with the normal com- mercial banks in Kuwait. They hold specially coloured deposit books to distinguish their accounts from the normal savings accounts which return interest of at least 4½ per cent. This satisfies their conscience and leaves the banks happy too.

Such customers form an obvious market for the new Islamic bank. For them any non- usurious return on their money, however small and uncertain, will represent an improvement. On the lending side too KFH reports a steady stream of tele- phone inquiries, though it in- tends to study the market further before opening up this aspect of its operations.

The conventional commercial banks in Kuwait vary in their attitude to the KFH. Some regard it as a curiosity which will only operate in a speci- alised corner of the market. But others take it much more seriously — and indeed KFH intends to set up more branches; it is licensed to carry on almost all kinds of business.

Significantly, at least one of the largest commercial banks has been exploring ways and means by which an Islamic banking service might be run side-by-side with the conven- tional "usurious" banking operation.

B.R.

STOCK EXCHANGE REPORT

Technical rally accelerates after PM's stand on pay

Equity index rebounds 6.0 to 505.2—Gilts also recover

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Sep. 18	Sep. 28	Sep. 29	Oct. 10
Oct. 2	Oct. 12	Oct. 13	Oct. 24
Oct. 16	Oct. 26	Oct. 27	Nov. 7

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

A continuation of the technical recovery which started late the previous evening was under way prior to the Prime Minister's speech at the Labour Party conference. The rally, generally thought to have been overdue after the weakness of the past trading Account, lacked conviction, however, until early reports began to filter through of Mr. Callaghan's determination to resist a wages explosion.

The warning about the possibility of additional monetary and fiscal measures, which could mean higher taxation and tighter money controls, appeared to give the recovery in equities particular impetus although many dealers issued the reminder that business was still desperately thin.

British Funds temporarily shrugged aside recent worries about the persisting upward pressures on U.S. short-term interest rates. In reply to the Prime Minister's hint of possible Government spending cuts and a tighter monetary policy, quotations regained initial falls ranging to ½ to close with gains extending to that amount. In this market, too, trade failed to improve significantly, business being a combination of bear-covering and a few genuine investment orders. The higher interest rate on this week's batch of Local Authority Yearling bonds had little noticeable impact.

The day's pattern in leading industrials was well illustrated by the 30-share index which, after being only a point or so up at the first two calculations, went progressively better to cross the 500 mark again and close a net six points higher at 503.2. Secondary issues followed the leaders and for the first time in eight trading days rises outnumbered falls, by 13-to-8, in all FT-quoted industrials.

W. L. Pawson made a notable return from suspension and traded briskly from 50p to 64p before settling at 60p; the new nil-paid shares were just as active and jumped from an opening 5p premium to 24p premium prior to ending at 20p premium.

Unimpressed by the trend of the main funds, Corporations drifted easier with LCC issues sustaining above-average falls of a full point; the 5½ per cent 1982-84 lost that much to 78½.

Trade in the investment currency market was more balanced yesterday with a good two-way business taking place on both arbitrage and institutional account and, after moving between extremes of 81½ and 83 per cent, the premium closed a net ½ higher at 82¼ per cent. Yesterday's SE conversion factor was 0.7249 (0.7212).

Business quickened in the Traded Option market and 794 contracts were completed compared with the previous day's 328. Courtaulds attracted a particularly good business with 168 deals, while Grand Met and Boots recorded 127 and 103 respectively.

Ferranti issues traded quietly, but late interest prompted improvements of 10 in the new ordinary, at 367p, and the new nil paid, at 287p premium.

Insurances were again chiefly notable for strength in Hambro Life which rose 10 to a 1978 peak of 400p in continuing response to last Friday's favourable interim statement. Elsewhere, Pearl, 228p, and Prudential, 145p, gained 4 apiece as did GRE to 224p and General Accident to 204p, while Royals rose 8 to 355p.

Activity in the banking sector remained at a low ebb. The major clearers edged forward in thin trading; while Discounts were inclined firmer with Union rallying 5 to 310p.

Breweries attracted a better business and closed firmly. Allied hardened 2½ to 83½p, while similar improvements were seen in Whitbread A, 98p, and Bass Charrington, 164p. Distillery issues also made headway with Highland and Distillers both finishing 4 better at 134p and 201p respectively.

Contracting and Construction issues staged a modest rally after the recent setback. Taylor Woodrow improved 6 to 432p and Marchwiel 7 to 142p; the latter's interim report is due next Monday. John Laing A and John Mowlem registered gains of 3 at 208p and 133p respectively, but George Wimpey which depressed the market last week with poor interim results, held at 81p. Elsewhere in the Building sector, a steady stream of small buyers lifted London Brick 3 to 69½p and Blue Circle a like amount to 276p, while Tunnel B found support and put on 4 to 302p. Encouraged by the steadier trend, Brown and Jackson attracted scattered speculative demand and rose 6 to 234p while, in Paints, buyers came for Leyland which improved 1½ to 86½p.

In a small turnover, ICI firmed 4 to 397p, but ahead of Thursday's interim report Wolstenholme Bronze eased 5 to 230p.

W. L. Pawson active

Proceedings in the Stores market were highlighted by the resumption of dealings in the extensively reorganised W. L. Pawson after more than two months in suspension; opening at around 55p compared with the suspension price of 42p, the shares moved forward in hectic dealings to touch 64p before closing at 60p, while the new nil-paid opened at 5p premium, touched 24p and closed at 20p premium. Elsewhere, the leaders moved forward in thin trading with Gussies A, 324p, and Burton A, 157, closing 2 higher. Currys rallied 7 to 197p following comment on the interim results and improvements of 3 and 4 respectively were seen in Henderson Kenton, 80p, and Waring and Gillow, 125p.

Shoes were featured by a jump of 12½ to 76½, after 80p, in Footwear Industry Investments following news of the bid approach.

Plessey figured prominently in Electricals, rising 5 to 123p on revived bid speculation. Racal Electronics, a popular candidate for the role of bidder, advanced 11 to 340p, after 342p; it was announced late yesterday that Racal had extended its holding from 20 per cent to 89 per cent in the associated Enquiry Systems Ltd. Farnell Electronics, at 398p, recovered all of recent weakness prompted by fears about the forthcoming interim results, while renewed investment demand lifted GEC 6 to 328p in the late trade. EMI, however, remained unchanged at 143p in front of tomorrow's preliminary figures.

John Brown responded to favourable Press mention with a rise of 12 to 452p, but progress in the other Engineering majors was more modest. Hawker Siddeley continued firmly at 254p, up 6 and GKN picked up 3 to 271p. Elsewhere, revived demand in a restricted market left Startrite 7 dearer at 137p. Buying interest was shown in Capper-Neill, 5 to the good at 87p, and Northern Engineering, a similar amount dearer at 137p. Further speculative demand prompted a fresh gain of 4 to 146p in Spear and Jackson. Whitehouse continued to attract buyers and put on 3 further to 115p and similar improvements were recorded in Tecalemit, 147p, Stone-Platt, 110p, and Renold, 135p. Wm. Boulton hardened a shade to 20p following news of the two acquisitions.

Foods moved higher with the recent speculative favourites well to the fore. Robertson continued firmly, rising 9 to 162p for a two-day improvement 13 on persistent speculation about a forthcoming bid. Spillers finished 2½ harder at 33p, after 35½p, while Fitch Lovell, 66p, and Avana, 57½p, put on 2 apiece. Gains of 4 were seen in J. Sainsbury, 227p, and British Sugar, 144p, while Lockwoods edged forward 2 to a 1978 peak of 122p in anticipation of preliminary results expected shortly. Bluebird Confectionery rallied 5 to 83p.

Trust Houses Forte advanced 6 to 242p in Hotels and Caterers where improvements of 1½ were seen in Adda International, 30p, and Grand Metropolitan, 110½p.

ICL jump

Firmer conditions returned to the miscellaneous Industrial leaders yesterday largely because of technical influences. Rank Organisation closed 9 better at 265p and Glaxo, on renewed buying interest ahead of next Monday's interim results, ended 7 dearer at 635p. Continuing to reflect the company's re-assuring statement with regard to the patenting of its "Amoxil" drug, Beecham rallied 7 more to 712p. Metal Box improved 6 to 356p as did Reed International, to 180p, and Unilever, at 564p. Elsewhere, Press comment attracted fresh investment interest in ICL which rose steadily to close 30 higher at a 1978 peak of 460p. Sears improved 1½ to 42p following publicity given to a broker's circular. Higher annual earnings helped Ingall Industries improve 2 to 35p and Saga Holidays edged forward a penny to 185p. Cape Industries gained a penny to 128p despite the lower first-half profits while BTR, 332p, and Restmor, 190p, gained 6 and 7 respectively, and Magnolia firmed 5 to 125p.

The Leisure sector displayed several notable improvements and was featured by revived bid speculation in a restricted market which lifted Pleasurama 3½ to 76½p. Norton and Wright, also thinly traded, improved 5 to a high for the year of 215p.

Motors and Distributors took a distinct turn for the better yesterday, but actual buying interest was at a fairly low ebb. Among the more noteworthy movements, ERF, an old speculative favourite, advanced 10½ to 119p, while Jonas Woodhead were also favoured and put on 9 to 106p. Dowty became a better market at 274p, up 7, but Lucas eased initially to 308p before closing 3 firmer on balance at 313p following news that talks are continuing with regard to the company's bid for Ducellier. Armstrong Equipment responded to the good annual results with a rise of 3 to 60p. Gains of 3 were also marked against Heron, 126p, H. Perry, 112p, and Appleyard, 92p, while H. and J. Quick improved 1½ to 87p.

Newspapers were quietly firm. Associated gained 5 to 185p and Daily Mail "A" 10 to 368p while, awaiting today's interim statement, News International, at 245p, picked up the previous day's fall of 5.

Properties traded quietly, but usually to slightly higher levels. British Land rose 2 to 44p and English a penny to 39p. In a restricted market, McKay Securities gained 10 to 280p.

Oil leaders firm

A firmer trend in the Oil leaders was accompanied by a better volume of business than of late. British Petroleum gradually made headway to close at the best of the day with a rise of 8 at 900p, while Shell ended similarly dearer at 370p. Royal Dutch closed ¼ higher at £45½ on currency influences. Among secondary issues, Burmah found fresh support and put on 3 more to 77p.

Small rises littered Investment Trusts following another slow trade, but Yorkgreen Investments eased marginally to 15½p on the fund-raising proposal which accompanied the preliminary figures. Park Place Investment continued firmly in Financials, rising a penny to 40p on the substantially increased earnings.

Movements in the Textile sector were restricted to a few pence either way. In common with the othr leaders, Courtaulds were firm at 124p, up 3.

Plantations rarely moved from the overnight levels, but Plantation Holdings edged forward 2 to 68p for a two-day improvement of 6½ on small buying in a restricted market.

Rally in Golds

A $4.50 surge in the bullion price to an all-time high of $222.125 per ounce reversed the downward trend of the last five days in South African Golds, enabling the Gold Mines index to recoup 3.1 at 166.2.

Prices were marked up at the outset of trading reflecting some good overnight American interest. Thereafter, persistent Cape demand and aggressive U.S. buying in the after-hours' trade saw quotations move further ahead and close at the day's best levels.

Rises in heavyweights ranged to a half-point, as in Western Holdings, £20¾ and West Driefontein, £23½.

Among lower-priced stocks, Kloof closed 17 firmer at 573p and the marginal Marievale 8½ better at 84p.

South African Financials reflected the buoyancy of Golds. Anglo American Corporation pushed ahead in the late trade to close 14 higher at 350p, while Union Corporation rose 12 to 314p and De Beers 8 to 406p. Speculative London buying lifted Afrikander Lease 15 to 220p.

Rio Tinto-Zinc were prominent among London-registered Financials with a rise of 7 to 248p.

A further rise in the free market platinum price to a record sterling level coupled with sharply improved profits from Rustenburg caused a good demand for Platinums. Rustenburg climbed 6 to 94p, Lydenburg 3 to 62p and Bishopsgate the same amount to 93p.

A poor performance in overnight domestic markets resulted in Australians being marked down here at the start but prices tended to come off the bottom following renewed support at the lower levels.

Tins were featured by the strength of Saint Piran which advanced 8 to a 1978 high of 66p on speculative buying.

Elsewhere, the Northgate group companies all registered substantial improvements in the wake of Canadian buying which began late on Monday evening. Northgate themselves jumped 55 to 410p, after 420p. Westfield Minerals 20 to 117p, after 121p, and Anglo United Development 10 to 224p, after 228p, all ing rumours concerning Westfield United's uranium exploration work in County Donegal.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
BP	£1	11	900	+ 8	926	720
Shell Transport	25p	11	370	+ 8	602	484
ICI	£1	9	397	+ 4	421	328
Compton & Webb	20p	8	70	− 2	72	25
Beecham	25p	7	712	+ 7	743	583
Boots	25p	7	209	+ 2	237	184
Bowater	£1	7	198	+ 2	212	163
Dalgety "New"	Nil/pd.	7	33pm	− 3	41pm	33pm
Marks & Spencer	25p	7	83	+ 1	94	67½
Pawson (W. L.)	25p	7	60xr	—	64	24½
Rank Org.	25p	7	265	+ 9	296	226
Woolworth (F. W.)	25p	7	67½	+ 1½	73	61
GEC	25p	6	328	+ 6	338	233
Glaxo	50p	6	635	+ 7	648	515
Grand Met.	50p	6	110½	+ 1½	121	87

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Sep. 26	Oct. 9	Dec. 28	Jan. 9
Oct. 10	Oct. 23	Jan. 11	Jan. 23
Oct. 24	Nov. 6	Jan. 25	Feb. 6

For rate indications see end of Share Information Service

Stocks favoured for the call were Tanganyika Concessions, CRA, French Kier, Anderson Strathclyde, Spillers, Automated Security, Reliance Knitwear, Central and Sherwood, New Throgmorton Warrants and Capital, Belhaven Brewery, Brittania Arrow, Coral Leisure, Footwear Industry, Brown Bros., British Car Auction and P and O. Deferred. A put was done in William Press, while doubles were arranged in Spillers, French Kier, Premier Consolidated Oil, Barker and Dobson and Brittania Arrow.

FINANCIAL TIMES STOCK INDICES

HIGHS AND LOWS

S.E. ACTIVITY

LONDON TRADED OPTIONS

Option	Exercise price	October Closing offer	October Vol.	January Closing offer	January Vol.	April Closing offer	April Vol.	Equity close
BP	850	58	3	95	—	119	—	901p
BP	900	23	37	59	—	87	—	
BP	950	6	20	[illegible]	—	56	—	
Com Union	180	½	—	5½	—	5½	15	142p
Cons Gold	160	21	5	39	5	34	—	179p
Cons Gold	180	5	12	15	16	22	—	
Cons Gold	200	1	25	7	—	16	2	
Courtaulds	100	6	10	27	—	—	—	124p
Courtaulds	110	16½	15	17½	10	21	—	
Courtaulds	120	7	27	11	10	15	—	
Courtaulds	130	2	35	6½	61	10	10	
GEC	300	30	35	45	2	52	—	328p
GEC	330	8	11	27	1	34	—	
GEC	360	2	—	16	19	25	6	
Grand Met	100	12½	50	20	—	21½	—	111p
Grand Met	110	5½	5	12½	30	14½	—	
Grand Met	130	1½		6½	64	8½	—	
ICI	360	41	6	50	1	58	—	398p
ICI	390	14	—	30	2	39	—	

Turnover at 14-month low

BY GEOFFREY FOSTER

GROWING OPPOSITION in the Government's 5 per cent pay guideline combined with some poor trading statements from major companies served to curb investment interest in the UK stock exchange last month.

Trade in all securities was over 32 per cent down on August, declining £3.95bn to £8.31bn, the lowest for 14 months. The number of bargains transacted was 55,893 lower at 499,451.

The FT Stock Exchange turnover index fell from 376.3 in August to 254.7 last month. The 1977 average was 442.6.

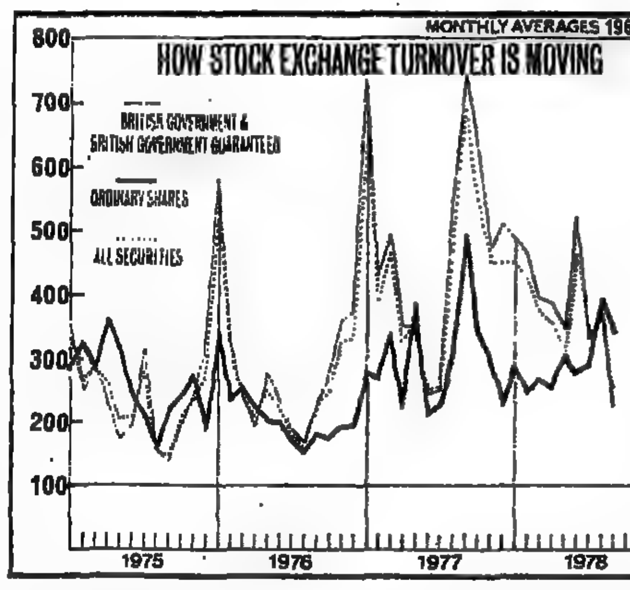
Business in gilt-edged securities was drastically reduced. Turnover slumped £3.4bn, or 39 per cent, to £5.35bn, the lowest since August, 1978 (£4bn), and the number of bargains fell by 8,754 to 53,133.

Trade in shorts dropped £2.86bn, or 45 per cent, on the month to £3.4bn, again the lowest since August, 1976, while that in other fixed interest securities was £0.5bn down at £1.94bn. The FT turnover index for British Government Securities was 226.4 compared with 371.2 in August and the 1977 average of 478.8.

Gilt-edged prices moved narrowly throughout the month as institutional investors displayed a marked reluctance to commit new funds to the market in the wake of rising U.S. interest rates.

The Government securities index eased from an end-August level of 71.16 to touch 69.77 on September 27 and closed the month at 70.000; this compares with the year's high of 78.58 recorded on January 3.

Reacting from its year's high of £2.2bn in August, trade in equities declined £0.3bn last month at 70.00; this compares with the September, 1977, record of £2.75bn. The number of equity deals receded by 43,147 to 393,368 and the average value per bargain was £222 lower at £4,833. The FT turnover index for Ordinary shares fell to 339.2 from August's 393.7 but still compared favourably with the 1977 average of 299.9.



Leading equities as measured by the FT Industrial Ordinary share index last month advanced to their higher levels since October, 1977. Institutional support following the Prime Minister's surprise announcement which removed the possibility of an October general election helped prices move forward sharply in thin trading. Quotations drifted lower towards the end of the month, however, as Ford workers led the increasing revolt against the 5 per cent pay limit.

Threatening noises from BOC International's key workers depressed sentiment further. The FT 30-Share index bounded to an 11-month peak of 535.5 on September 14, then fell away to close the month at 500.6 for a net rise of only 2.1 points.

The South African political situation and disappointment with the amount of gold bid for at the International Monetary Fund auction were two adverse factors restraining investors' interest in gold shares.

After having reached their highest levels for around 2½ years in August, gold share prices reacted and the FT Gold Mines Index fell away to close September a net 14.7 points down at 168.6, its lowest since July 19.

The price of gold bullion, however, rose $9.25 on the month to $217.375 an ounce, after touching a record $219.875 on September 25.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	65	6	7
Corpns. Dom. and Foreign Bonds	2	14	46
Industrials	402	251	[illegible]
Financial and Prop.	134	72	307
Oils	10	6	20
Plantations	5	1	25
Mines	46	32	[illegible]
Recent Issues	11	8	24
Totals	675	390	1,368

Category	Value of all purchases & sales £m	Total %	Number of bargains	Total %	Average value per day £m	Average value per bargain	Average number of bargains per day
British Govt. and British Govt. Guaranteed Short Dated (having five years or less to run)	3,405.2	41.0	21,387	4.3	162.1	159,220	1,018
Others	1,944.1	23.4	31,746	6.4	92.6	61,239	1,512
Irish Govt. Short Dated (having five years or less to run)	358.2	4.3	1,551	0.3	17.0	230,954	74
Others	295.8	3.6	2,851	0.6	14.1	103,757	136
U.K. Local Authority	259.5	3.1	7,814	1.5	12.3	33,208	372
Overseas Govt. Provincial and Municipal	11.0	0.1	1,910	0.4	0.5	5,784	91
Fixed Interest Stock Preference and Preferred Ordinary Shares	136.5	1.6	38,824	7.7	6.5	3,517	1,849
Ordinary Shares	1,901.1	22.9	393,368	78.8	90.5	4,833	18,732
TOTAL	8,311.5	100.0	499,451	100.0	395.8	16,641	23,784

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (43)

BANKS (1)
Brown Shipley

BEERS (1)
Macallan-Glenlivet

BUILDINGS (4)
Brownlee, Lafarge S.A.

INSURANCE (1)
Hambro Life

LEISURE (1)
Norton & Wright

MOTORS (1)
Brown Bros.

PROPERTY (1)
McKay Secs.

SHOES (1)
Footwear Invs.

TEXTILES (2)
Dawson Intl., Dawson Intl. A

NEW LOWS (9)

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS
GROUPS & SUB-SECTIONS

Tues., Oct. 3, 1978

FIXED INTEREST PRICE INDICES

FIXED INTEREST YIELDS
Br. Govt. Av. Gross Red.

AUTHORISED UNIT TRUSTS

Equity & Law Un. Tr. M.♥ (a)(b)(c)(x)

Amersham Rd., High Wycombe. 0494 33377

Equity & Law	68.9	72.5d	+0.9	4.23

James Finlay Unit Trust Mngt. Ltd.

14, West Nile Street, Glasgow. 041 204 1321

Finlay Internat'l.	25.2	27.2	.....	2.19
Accum. Units	29.5	32.0	.....	2.19
Finlay Income	35.2	37.9	.....	7.95
Finlay Euro.Fin.	27.8	30.0	.....	3.69
Accum. Units	32.3	35.0	.....	3.69
Finlay Fd.In.Tst.	30.2	32.4	.....	3.92
Accum. Units	34.3	37.5	.....	3.92

Prices Sept. 27. Next dealing October 4.

Sheffield, S1 3RD. Tel. 0742 79842

Commodity & Gen.	72.0	77.4	+0.3	4.93
Do. Accum.	82.9	89.2	-0.3	4.93
Growth	37.3	40.1	+0.2	2.83
Do. Accum.	40.0	43.3	+0.2	2.83
Capital	28.2	30.3	.....	3.05
Do. Accum.	30.8	33.1	.....	3.08
Income	53.5	57.6	+0.5	6.23
Do. Accum.	62.5	67.2	+0.6	6.23
International	46.1	49.9	+0.1	2.31
Do. Accum.	49.3	53.2	.....	2.31
High Yield	63.6	68.4d	+0.5	8.26
Do. Accum.	69.5	74.7	+0.6	8.26
Equity Exempt*	104.7	110.5d	.....	5.63
Do. Accum.*	104.7	110.5	.....	5.63

*Prices at Sept. 29. Next dealing Oct. 31

CORAL INDEX: Close 506-511

INSURANCE BASE RATES

†Property Growth	10¼%
†Vanbrugh Guaranteed	8.75%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Jardine Fleming & Co. Ltd.

46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$375.52	.....	1.90
Jardine J'pn.Fd.*	HK$401.98	.....	0.80
Jardine S.E.A.	SUS20.46	.....	1.70
Jardine Flem.Int.	HK$12.42	.....	—
Intl.Pac.Secs.(Inc.)	HK$14.91	.....	—
Do. (Accum.)	HK$15.06	.....	—

NAV Sept. 14. *Equivalent SUS84.68. Next sub. Oct. 6.

Warburg Invest. Mngt. Jrsy. Ltd.

1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. Sept.28	SUS13.99	14.28	.....	—
CMT Ltd. Sept.28	£14.39	14.76	.....	—
MetalsTst. Sept.21	£12.38	12.68	.....	—
TMT Sept. 14	SUS11.49	11.78	.....	—
TMT Ltd. Sept. 14	£11.39	11.69	.....	—

World Wide Growth Management♦

10a, Boulevard Royal, Luxembourg.

Worldwide Gth Fd	SUS16.47	-0.16	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

BONDS & RAILS—Cont.

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium

CANADIANS

[illegible]

S.E. List Premium

BANKS AND HIRE PURCHASE

[illegible]

BANKS & HP—Continued

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Hire Purchase, etc.

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FOOD, GROCERIES—Cont.

[illegible]

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INDUSTRIALS (Miscel.)

[illegible]

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[illegible]

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EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
210	155	Falcon Rh.50c	169	-5	Q60c	ϕ	22.7
24	15	Rhod'n Corp. 16½p.	16	-½	0.57	7.1	5.3
80	52	Roan Cons. K4	65	......	—	—	—
41	32	Wankie Col. Rh.1	33	......	Q5c	ϕ	17.6
17½	10	Zam.Cpr.SBD0.24	14	......	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
15	10	Acmex 25c	11	......	—	—	—
140	64	Bougainville 50 Toea	126	-1	†Q8c	1.4	4.9
131	63	BH South 50c	118	-2	—	—	—
820	150	Central Pacific	460	......	—	—	—
336	148	Conzinc Riotinto 50c	300	-6	‡Q10c	2.2	‡
27	9½	Endeavour 20c	25½	......	—	—	—
72	45	G.M. Kalgoorlie $1	58	-2	—	—	—
68	18	Haoma Gold N.L.	54	......	—	—	—
140	81	Hampton Areas 5p	127	-1	t3.55	2.0	4.2
40	10	Metals Ex. 50c	36	-2	—	—	—
223	125	M.I.M. Hldgs. 50c	125xd	-2	Q9c	1.7	3.0
39	10	Mount Lyell 25c	27	-1	—	—	—
6¾	1½	Newmetal 10c	5½	......	—	—	—
143	79	North B. Hill 50c	118	+1	Q8c	1.3	4.3
16½	8½	Nth. Kalgurli	14½	......	—	—	—
50	12	Nth. West Mining	38	......	—	—	—
178	117	Oakbridge $A1	157	......	†Q11c	1.9	4.7
70	30	Pacific Copper	60	+4	—	—	—
£15½	750	Pancont'l 25c	950	-25	—	—	—
40	12	Paringa M&Ex. 5p	31	......	—	—	—
570	310	Peko-Wallsend 50c.	480	-10	Q15c	ϕ	1.9
300	50	Southern Pacific	180	......	—	—	—
164	84	Westn. Mining 50c	141	-3	Q3c	ϕ	‡
70	35	Whim Creek 20c	50	......	—	—	—

TINS

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
30	23	Amal. Nigeria	23	......	2.81	1.3	18.2
420	240	Ayer Hitam $M1	325xd	......	Q300c	ϕ	19.8
60	45	Berali Tin	47	-1	t4.0	4.4	13.4
305	200	Berjuntai $M1	245	-3	Q110c	ϕ	9.6
155	111	Geevor	145	......	5.04	5.8	5.2
10½	8½	Gold & Base 12½p.	10	......	—	—	—
340	220	Gopeng Cons.	325	......	15.25	0.9	7.1
230	130	Hongkong	230	......	—	—	—
93	78	Idris 10p	93	......	‡12.0	1.6	‡
11	7	Jantar 12½p	3	......	—	—	—
84	68	Kamunting $M0.50	75	......	Q17½c	2.1	3.6
640	450	Killinghall	625	......	Q125	ϕ	19.7
470	280	Malay Dredging $M1	435	......	†Q95c	0.8	4.7
78	40	♦Pahang	66	......	‡Q3.75c	0.5	‡
78	50	Pengkalen 10p	74	......	6.60	1.3	13.3
270	165	Petaling $M1	245	......	†Q30c	1.6	7.5
66	49	Saint Piran	65	+8	2.03	ϕ	4.6
61	47	South Crofty 10p	60	+4	4.19	2.0	10.4
245	140	South Kinta $M0.50	215	......	sQ145c	0.6	14.5
340	230	S'thn Malayan $M1	310	......	tQ175c	1.1	9.1
240	134	Sungei Besi $M1	195	......	Q65c	ϕ	7.2
85	55	Supreme Corp. $M1	70	......	ZQ10c	—	3.1
100	85	Tanjong 15p	90	......	6.60	0.6	10.9
100	74	Tongkah Hrbr. $M1	90	......	[illegible]	1.6	‡
270	148	Tronoh $M1	220xd	......	‡Q63c	1.6	‡

COPPER

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
104	70	Messina R0.50	70	......	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
68	35	Barymin	56	-2	—	—	—
17	9	Burma Mines 17½p.	13	......	—	—	—
300	215	Cons. Murch. 10c	295	+1	‡Q30c	2.6	‡
465	245	Northgate C$1	420	+55	—	—	—
258	164	R.T.Z.	255	+7	9.5	2.8	5.8
90	30	Sabina Inds. C$1	55	+1	—	—	—
£12	750	Tara Exp'n. $1	825	+13	—	—	—
74	43	Tehidy Minerals 10p	70	+1	ϕ1.55	ϕ	2.9
185	120	Yukon Cons. C$1	143	-2	Q7c	2.9	2.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ♠ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¼ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 38

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

[illegible]

OPTIONS

3-month Call Rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Wednesday October 4 1978

British Airways to seek Atlantic fare rise

By Michael Donne, Aerospace Correspondent

BRITISH AIRWAYS is expected to ask the UK and U.S. governments soon for permission to raise all transatlantic air fares by about 5 per cent from next April 1.

Existing differentials between various classes of traffic will be preserved. But continued inflation is eroding the financial position of all the Atlantic airlines, including British Airways, and others are also expected to seek fares rises.

British Airways, in common with its competitors, is studying the effects of the ultra-cheap fares such as Stand-By and Budget Plan rates introduced a year ago.

The indications are that, whereas overall Atlantic traffic this summer has risen by about 15 per cent, the revenue yield has gone up by much less with some airlines losing money and others making only small profits.

British Airways is understood to have made a profit on the North Atlantic, but not enough to enable it to stave off the need for fares rises next year.

The overall position is expected to be reviewed soon by UK and U.S. Government officials when they meet to consider what action to take over cheap fares for next summer. It is then that British Airways' plan for fares rises will be put to the U.S.

The UK has always taken a more cautious view than the U.S. over Atlantic fares, and is expected to support British Airways' plan. But the U.S. Government has already rejected proposals by Trans World Airlines for a fares rise next summer, and is not expected to welcome the UK move.

Meanwhile British Airways is introducing from October 29 a three-class concept of cabin service on the Atlantic route—First, Club (which includes the full economy-fare passengers), and Discount, which will include all the cheap-fare travellers.

Discrimination

The move is in line with that of several other Atlantic airlines, which are also introducing the "three cabin" concept of service, although they call them by different names. Trans World Airlines has sought permission for First Class, Full Fare Coach and Economy classes which the Civil Aeronautics Board of the U.S. has temporarily turned down. Other airlines adopting the concept include Air-India, KLM, Lufthansa and Pan American and others are expected to follow suit.

The change reflects the airline's recognition of the need for more discrimination between passengers travelling on the new class of ultra-cheap fare, and those, mainly business travellers, paying the full economy class fare.

At the same time, British Airways recognises that the new class fares including Stand-By, Advanced Purchase Excursion rates and other promotional fares, is here to stay, and it will continue to include them in its overall fares "package" now being prepared for next summer, although at higher levels than have prevailed this summer.

The interiors of its Boeing 747 Jumbo jets flying the North Atlantic are being modified to provide special seating areas for Club Class passengers.

These travellers will get free drinks and in-flight entertainment, and a higher standard of meals service.

Mr. Gerry Draper, British Airways' director of commercial operations, said yesterday that it recognised that the business travellers deserved a new deal. The businessman had paid a fare "up to three times higher than many discount fares."

CAB rejects Transworld plea Page 4

UK official reserves up £54m last month

BY MICHAEL BLANDEN

THE UK's official reserves rose by \$106m (£54m) last month to \$16.51bn (£8.37bn), reversing the previous month's decline of \$330m.

After allowing for identified borrowings and loan repayments, the figures show an underlying increase in the reserves of \$63m (£31.9m).

This suggests that the Bank of England took in some foreign currency during the month as a result of support operations for the dollar.

The pound came briefly under pressure towards the end of the month as a result of doubts aroused by the Ford strike. But for most of the period the exchange markets were dominated by the continuing weakness of the U.S. currency.

The pressure on the dollar was renewed yesterday as the exchange markets reacted further to the weekend measures by the Swiss authorities to bring down the value of their currency.

Sentiment was also affected by a prediction from Mr. William Miller, Federal Reserve chairman, that U.S. interest rates would peak before the end of the year.

U.S. interest rates Page 4
Mining News Page 26
Money Markets Page 29

With widespread intervention to hold down the Swiss franc reported in Europe, the main effect was to boost the West German D-Mark, one of the main aims of the Swiss Government.

However, the dollar slipped back again, reaching a new low against the D-Mark and losing ground against the Swiss franc.

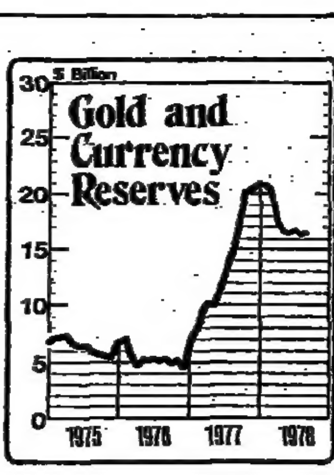
The renewed move out of dollars also took the gold price to another new peak. It closed in London at \$222¼ an ounce, a rise of \$4¼, compared with the previous record closing level of \$219⅞.

The dollar ended the day's dealings in London at DM1.9115 against DM1.9327 on the previous day, and fell from SwFr1.5915 to SwFr1.5730. The pound also gained 20 points to \$1.9735, but with other currencies rising more rapidly sterling's trade-weighted index slipped from 62.7 to 62.5.

The UK reserve figures were affected by two main special items: Foreign currency borrowing by the public sector under the exchange cover scheme totalled \$150m. This was the first tranche of a \$500m loan arranged with Japanese bankers by the Electricity Council: the rest of the loan is likely to come in during the current month.

Against this, the UK made repayments of \$107m of foreign borrowings, mainly by the Post Office. These repayments were in line with the original schedule for these loans.

During the month, the pound moved up significantly against the dollar, at one stage coming briefly close to the \$2 level. Its peak closing level in London trading was \$1.9810 on September 21. At the same time, the strength against the dollar took the official index to a best level of 63.3.



ICI ready to go ahead with £800m projects

BY KEVIN DONE

IMPERIAL Chemical Industries has decided to press ahead with its ambitious plans to sanction capital expenditure projects worth more than £800m this year, in spite of repeated warnings that they could not be justified by current profitability.

Mr. Robin Ibbs, ICI's planning director, has told employees that, following completion of the mid-year capital expenditure review, plans for future capital spending will be kept at the same level as that announced in the spring.

ICI is ready to give the go ahead for the spending of more than £800m on future projects, a vital step if actual capital spending is to be kept near this year's proposed record level of £700m.

But Mr. Ibbs warned that profitability would have to be improved to justify such a high rate of sanctionings being continued into 1979 and beyond. The level of spending for these years was still open and no forecast could be made.

About 50 per cent of the expenditure to be announced this year will be for projects in the UK, but it is likely that a significant share of this will go to modernising and improving existing plants rather than to adding new capacity.

Last year, for example, ICI spent £130m in the UK on plant improvements.

Much of the expenditure on new capacity will be directed overseas. ICI is building the £200m first stage of a major new chemicals complex at Wilhelmshaven in north-west Germany to manufacture chlorine, caustic soda, vinyl chloride monomer, and polyvinyl chloride, one of the most widely used commodity plastics.

Negotiating

In the U.S. it has bought a £35m chemicals plant in Louisiana from Allied Chemical and is negotiating to buy American Color and Chemical, a U.S. dyestuffs manufacturer, for about £26m.

In the UK this year the company has sanctioned part of its £140m chlor-alkali expansion at Wilton on Teesside and has said it will spend a further £21m on its soda ash works in north-west England.

On current trading conditions Mr. Ibbs said the increase in consumer spending was tending to benefit importers at the expense of UK manufacturers.

This meant that ICI's industrial customers in the UK were not increasing their demand as quickly as spending was rising, although some benefit was being felt.

The stronger exchange rate had also reduced export profits. In the first half of 1978, ICI achieved pre-tax profits of £251m compared with £309m in the first half of 1977.

At its biggest petrochemicals complex at Wilton on Teesside, ICI still has five plants shut down and another working at reduced capacity as a result of the prolonged industrial dispute over the training of instrument artificers, the men who look after control room instruments.

No official talks have been held with trades union officials since August and no meetings are planned at present.

However, the problem of recruiting new artificers could ease slightly in response to a recent nation-wide advertising campaign.

And ICI said yesterday that one of the closed units, the smaller ethylene plant, will be started up again next week. This will allow the bigger cracker to be shut down for maintenance work.

Labour Left proposal rejected

BY ELINOR GOODMAN

LEFT-WING attempts to ensure that Labour Party activists have a major role to play in the election of the party leader failed yesterday at the party's conference in Blackpool.

Another move by the Left to change the constitution so that every MP has to go through full reselection for each Parliament, also failed.

Earlier in the day, however, the Left had a qualified victory in the elections to the 29-member National Executive Committee. It increased its representation in the constituency division and more than held its own in the union section with the election of the well-known Left-winger, Mr. Doug oyle, MP for Nelson and Colne.

Moderates

In the women's section, the fancied modern candidates failed to oust the Left-wingers though moderates like Mrs. Shirley Williams, Education Secretary, retained her seat.

In the constituency section, Mr. Callaghan lost his old Left-wing adversary, Mr. Ian Mikardo, but gained two new militant opponents with the election of Mr. Dennis Skinner MP for Bolsover, and Mr. Neil Kinnock, MP for Bedwelty.

He also lost one of his most loyal supporters on the executive when Mr. John Cartwright, MP for Woolwich East and a leading member of the Manifesto Group, was defeated by the Tribunite Mr. Leslie Huckfield, Under-Secretary for Industry, for the position filled by Co-operative and other affiliated organisations.

Party moderates took comfort from the fact that while Mr. Skinner and Mr. Kinnock were well to the party's Left, they might prove to be less subtle champions of their cause than Mr. Mikardo, the acknowledged elder statesman of the Left and a master of tactics.

Mr. Mikardo, who has been on the executive since 1950, appears to have alienated his traditional supporters by being too closely identified with the NEC's compromise proposal for the re-selection of MPs.

The compromise, which, after an at times passionate debate was approved by conference yesterday, means that constituency associations will have the option of putting their MPs through the full re-selection procedures. Re-selection will not therefore be mandatory as favoured by the Left and a minority group within the NEC.

Radical ideas

The conference also rejected the more radical ideas put forward for appointing the party leader. Presented with three options, two of which would have denied the parliamentary party the exclusive right to elect the leader, conference voted for only a slight deviation from the status quo.

The party's constitution will be changed next year to make it clear that the leader of the parliamentary party is also leader of the Labour party. As at present, however, it will be MPs only who have the right to vote for the leader.

Smurf sales halted after some fail safety test

By Lynton McLain

Sales of Smurf toy figures—part of the most successful petrol promotion since the 1960s—have been suspended because of excessive lead levels in the paint used on some of them.

National Benzole, which launched the £1m promotion in May, said last night that some of the plastic toys, imported from Germany, broke the UK limits. The Smurfs will not be available again till the end of the month.

More than 2m Smurfs have been sold by garages for 36p each to buyers of National Benzole petrol and even non-car owners.

The campaign, which was hailed by the company as the start of a children's cult, was seen in the oil industry as one of the most imaginative in petrol retailing since the Esso "tiger in a tank" promotion.

The company estimated the promotion had boosted its share of the petrol market in England and Wales by up to half a per cent to 6.5 per cent.

Sales of Smurfs have now been stopped by the company, after tests showed that the lead content of the paint used on some models was greater than the limit specified in the Toys (Safety) Regulations 1974.

The West German manufacturers gave assurances that the figures conformed in all respects to British law. However, tests carried out by local authority analysts showed that the amount of lead in the paint did exceed, in some cases, levels set by UK law. The amount of lead which could be absorbed from the paint was not a significant risk to the health of a child.

The Department of Health and Social Security said there was no need to call in the 2m figures already sold.

National said that the campaign had been introduced to add a "bit of fun to garage forecourts and to make a mark in the industry, as well as to help sell more petrol." The campaign had involved T-shirts, play sets, sew-on badges as well as the lead-painted plastic figures.

National said last night that the West German regulations covering lead content of paint for toys were stricter than those in Britain. It had considered there was no need to verify the assurances of the German manufacturer. A new batch of Smurfs to be sold in Britain later this month would be painted in the UK.

THE LEX COLUMN

The squeeze that could hurt

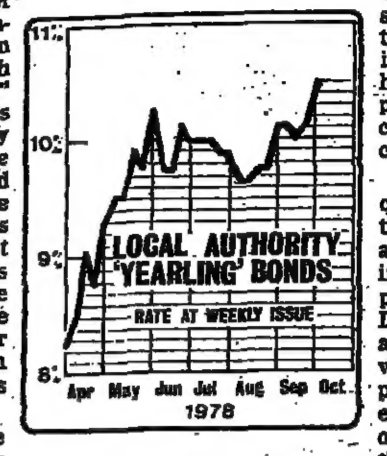
The Prime Minister yesterday threatened the Labour Party conference with restrictive economic policies should wage rises lead to an acceleration of the inflation rate. "The Government will take offsetting action to keep inflation down through monetary and fiscal measures." In the City, Mr. Callaghan's speech received a modestly favourable reception on the vague grounds that he seemed to be standing firm: both the gilt-edged and equity markets regained a little of their recent falls. But if the Government is really determined to squeeze out inflation—and there are admittedly reasons for scepticism ahead of an election—the financial implications could be quite painful.

The key question is: Will the measures in fact be primarily fiscal or monetary? Already there is a serious case to be put forward for tightening fiscal policy, and it is likely to get stronger. The high-risk decision to aim for a PSBR of £8.5bn in 1978-79 was taken on the assumption that this would be compatible with economic growth of 3 per cent, while the balance of payments would be in modest surplus. In fact GDP on the output measure was rising at an annual rate of over 5 per cent in the first half of 1978, consumers' expenditure has been climbing at well over the planned 4 per cent rate, and the balance of payments is only just about breaking even. This expansion has led to a surge in private sector credit demand (recently running at about £6bn a year) which has unsettled the gilt-edged market and helped to produce the unusual phenomenon of significantly positive real interest rates.

An economic package to raise taxes and/or cut Government spending would cool the economy and make the official anti-inflationary stance more credible. It would also take the pressure off the capital markets. Politically, however, the change to a tighter fiscal stance would be a virtually unprecedented step to take ahead of a General Election which is unlikely to be more than six months away.

The danger in these circumstances is that the burden will once again be placed upon monetary policy, which is much less of an electoral factor—at least so long as the impact on mortgage rates can be cushioned somehow. Was the Prime Minister hinting yesterday that the monetary growth targets could be tightened as a way of heading off a return to inflation of 10 per cent or so, which is widely expected for next year? If so there is a serious possibility of a credit collision as the private sector tries to finance its rising production levels and investment spending, while the Government attempts to unload even more gilts on to the already reluctant institutions.

Index rose 6.0 to 505.2



Sime Darby

Sime Darby's plan to drop Turquands Barton Mayhew as its auditors, in favour of Price Waterhouse, has landed the group in an unprecedented public row. Thanks to legislation enacted in the 1976 Companies Act Turquands are taking advantage of the right to resist the move and intend to make representations to shareholders in favour of their own re-election.

But the new law — which is designed to prevent the quiet audit resignation — only works if shareholders are given a chance to assess all the reasons behind the board's decision to recommend a change. In this case the Sime Darby directors are justifying their action on the grounds that the group now needs a more international firm to deal with its widespread interests. But this is not as convincing as it might be if Turquands were a small accounting firm. Quite the contrary, it is one of the top 10 UK firms and the largest in the Far East — where Sime Darby has most of its operations.

It is possible that Sime Darby believes it will get a better or more efficient service from Price Waterhouse, but does not feel it can say so publicly without libel to Turquands. Yet seen from the audit firm's eyes this is just the damaging implication the move could have, regardless of further explanation—particularly in the close-knit Far East business community.

To some extent therefore Turquands' decision to come out on the attack yesterday stems from a desire to preserve the firm's image and reputation as far as possible. But in giving the Sime Darby board what, in effect, amounts to an ultimatum to reveal their real reasons for the planned change Turquands are either taking a great gamble, or are resolute in their belief that they are being victimised against shareholders' interests. If the Sime board does not respond Turquands are threatening to reveal more. So the ball is firmly in the Sime Darby directors' court.

Armstrong Equipment

Armstrong Equipment's growth record continues to be impressive: earnings per share grew 84 per cent in 1977-78 and the company is thinking in terms of over £10m pre-tax in the present year. That the shares should be standing on such a modest p/e (around ...) reflects concern that this record may be hard to maintain by means of the purchase and transformation of small companies at which Armstrong is undoubtedly expert. Its fondness for issuing paper may be another factor.

The company is undertaking a further re-organisation and expansion of its retail/wholesale sales division to push for higher market share in car spare parts, particularly exhaust systems. Distribution has been a problem in the past, with the profits growth coming mainly in manufacturing. Armstrong has pulled out of production in Canada as a result of a retail price war in the U.S. spare parts market, and intends to buy a French manufacturer to back up its Normandy-based distribution company. The current Ford strike is a relatively minor headache: more importantly shareholders will be hoping for good news from Ford in the form of work on the Erika model, the planned replacement for the Escort.

Weather

UK TODAY

MOSTLY dry in south, some rain in north.

London, E. Anglia, S.E., Cent. S., E. and Cent. N England, E. Midlands, Channel Isls.
Dry, sunny spells. Max. 16C (61F).

S.W. England, S. and N. Wales
Showers, sunny spells. Max. 15C (59F).

N.W. England, Lakes, Isle of Man, S.W. and N.W. Scotland, Glasgow, Cent. Highlands, Argyll and N. Ireland
Rain later. Max 15C (59F).

N.E. England, Borders, Edinburgh and Dundee
Mostly dry, sunny spells. Max. 15C (59F).

Aberdeen, Moray Firth, N.E. Scotland, Orkney and Shetland
Scattered showers. Max. 13C (55F).

Outlook: Mostly dry, occasional rain in north.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amstdm.	C	10	50	Luxemb'g	F	10	50
Athens	S	26	79	Madrid	S	17	63
Bahrain	S	31	88	Manchstr.	C	13	55
Barcelona	F	18	64	Melbourne	C	14	57
Beirut	S	28	82	Milan	R	13	55
Belfast	F	11	52	Montreal	C	7	45
Belgrade	C	25	77	Moscow	C	4	39
Berlin	C	9	48	Munich	C	10	50
Brmghm.	S	13	55	Newcastle	F	13	55
Bristol	F	14	57	New York	S	13	55
Brussels	C	8	46	Oslo	R	11	52
Budapest	F	23	73	Paris	C	9	48
B. Aires	R	11	52	Perth	S	17	63
Cairo	S	36	96	Prague	C	10	50
Cardiff	F	13	55	Reykjavik	C	6	43
Chicago	C	17	63	Rio de J'o	S	23	73
Cologne	C	8	46	Rome	C	17	63
Copnhgn.	C	9	48	Singapore	S	29	84
Dublin	C	15	59	Stockholm	F	11	52
Edinburgh	S	13	55	Strasbrg.	C	10	50
Frankfurt	C	10	50	Sydney	S	27	81
Geneva	C	11	52	Tehran	S	21	70
Glasgow	F	12	54	Tel Aviv	S	27	81
Helsinki	C	9	48	Tokyo	S	25	77
H. Kong	C	25	77	Toronto	C	12	54
Jo'burg	S	23	74	Vienna	C	19	66
Lisbon	S	21	70	Warsaw	C	8	46
London	R	12	54	Zurich	C	10	50

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	R	16	61	Istanbul	S	27	81
Algiers	C	18	64	Jersey	C	14	57
Biarritz	S	16	61	Las Plms.	C	23	73
Blackpool	C	13	55	Locarno	R	12	54
Bordeaux	F	16	61	Majorca	C	18	64
Boulogne	F	13	55	Malaga	S	24	75
Casablnca.	S	22	72	Malta	S	22	72
Cape Town	C	16	61	Nairobi	R	24	75
Corfu	S	27	81	Naples	R	15	59
Dubrovnik	S	27	81	Nice	R	15	59
Faro	S	22	72	Oporto	S	20	68
Florence	R	17	63	Rhodes	S	26	79
Funchal	F	23	73	Salzburg	C	11	52
Gibraltar	F	21	70	Tangier	S	24	75
Guernsey	C	13	55	Tunis	F	23	73
Innsbruck	C	13	55	Valencia	S	20	68
Inverness	S	12	54	Venice	R	16	61
I. of Man	F	12	54				

C—Cloudy. S—Sunny. F—Fair. R—Rain

Continued from Page 1

West Bengal flood chaos

Dr. P. L. Agarwal, chairman of the Steel Authority of India, says the 1.6m-tonne, British-built steel plant at Durgapur will not be operating again until the end of October.

At least one month's steel production will be lost, although really serious damage to the coke ovens was averted.

Durgapur recorded 675 mm of rain between September 26 and 28 compared with the annual norm of 1,300 mm. Various installations were inundated, particularly the coal reclamation and handling systems and the underground cellar of the rolling mills. The plant ground to a halt. Reports from Indian Iron and Steel Company's Burnpur plant say damage is not as heavy there but production has been effected.

Coal production is the worst hit and this could start a chain chandran, the Energy Minister, other industries. Mr. G. Ramachandran, the Eenergy Minister, says it will take between one to three months for the coal mines in the eastern region to start normal production. Efforts are being made to get about 200 pumps to drain mines belonging to the central Government-owned Eastern Coalfields and Bharat Coking Coal. For Eastern Coalfields alone, 45 of the 116 mines have been flooded and the number is only slightly less in Bharat Coking Coal.

Mr. Ramachandran estimates the loss of production at 30,000-35,000 tonnes daily for each company. Eastern Coalfields production in the October-March period will fall by about 5m tonnes while Bharat Coking Coal will lose 3m tonnes. The loss in production alone will amount to about R500m. The national production target of 102m tonnes in fiscal 1978-79 will not be achieved.

No immediate shortage is feared because of substantial pit-head stocks but steel plants may eventually be starved of coking coal and thermal stations of their supplies.

The West Bengal jute mills were ailing before the floods and have now been dealt another severe blow. Production losses since September 27 are estimated at a minimum of 10,000 tonnes. Damage to raw and manufactured jute stocks is put at R50m. Fifteen mills in the Budge area have stopped working and attendance at others is poor. Power-shedding is hitting production in mills and other factories, and the supply shows no sign of improving.

Mr. K. K. Kanaria, chairman of the Indian Jute Mills Association, has demanded restoration of the subsidy on hessian exports and withdrawal of excise to help the industry.

The state estimates that crops on 2.5m acres have been destroyed for the third time this year and that damage could amount to R2bn. Part of the jute crop on 1m acres was harvested before the floods, but about half has probably been destroyed.

Plans are being made to supply fertilisers and seeds for wheat, potatoes, rice and pulses but no one knows when distribution will begin and when farmers will be able to resume work.

Tentative estimates are that damaged irrigation canals and river embankments will cost R200m to repair.

West Bengal is reeling and floods have again hit already-inundated districts making millions homeless.

Continued from Page 1

Pay flexibility

the Treasury the conditions on wage rises laid down in the White Paper.

"The Government will carry out its inescapable obligation to prevent inflation by whatever means are at hand, relying as much as it can on the responsibility of the trade unions and upon our fixed policy, which I will try to interpret as easily as possible within the limits laid down in the White Paper."

Mr. Moss Evans, of the Transport workers said after the speech: "This in no way detracts from our policy of continuing to bargain freely with employers on the basis of their ability to pay.

"But if Mr. Callaghan and his colleages are prepared to talk about economic and social problems, then we are pepared to take part in those discusions."

Mr. Joe Gormley, president of the miners, said the speech had been conciliatory and had left him more optimistic about Labour's chances of winning activist support in the coming election.

Mr. Alan Fisher, public employees, welcomed the possibility of some leeway for his low-paid members, but was concerned that talks between the TUC and Ministers would not be enough to fend off pressure from public-service workers for big pay rises this autumn.

Rupert Cornwell writes: Mr. David Steel, the Liberal leader, has repeated his call for a permanent statutory incomes policy as the first priority for Parliament when it returns next month.

The country had now been offered by Mr. Callaghan and Mr. Denis Healey, the Chancellor, the choice between 5 per cent wage limits policed by arbitrary sanctions, "or monetary and fiscal policies that one can only assume will be borrowed from Sir Keith Joseph's Centre for Policy Studies," he said.

The first course would lead only to unfairness, strikes and even greater flattening of differentials, while fiscal and monetary policies would merely produce still greater unemployment and further industrial stagnation.

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